Global Employment Taxes Newsletter

March 2023

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Introduction

Dear all,

I am pleased to share our first Global Employment Taxes Newsletter of 2023. This edition brings updates on employment tax regimes from over 30 countries across the PwC network, including from many of the world's biggest economies.

As the cost of living crisis and inflationary pressures continue to impact employees in many countries it is notable that some Governments are now beginning to make specific interventions. Whether that be with targeted measures (see examples for Italy, Germany and Spain) or by recent general increases to statutory minimum wage rates (see examples for Turkey, Poland and the UK).

There also continues to be a clear recognition that the world of work is changing and this is reflected in:

- the continued focus on employment status (see updates from Denmark and New Zealand); and
- the way governments are looking to continue the support for international / cross-border working through employment measures (read updates from Australia, Spain, South Korea and New Zealand).

For many countries, January brought the start of a new tax year, including in Argentina, Belgium, Canada, Indonesia, Ireland, Netherlands, Portugal, Singapore and Switzerland, and this is reflected in the updates.

As you will see from this edition, there is a great deal of activity across the world on both domestic and international employment tax matters. We would be happy to share our insights and help you with any queries you may have. If you do have any questions or for more information, please contact any of my Employment Tax colleagues, or your usual PwC contact.

Best wishes

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Australia

ATO's reinterpretation of individual tax residency rules

The draft Taxation Ruling TR 2022/D2 ruling replaces and consolidates previous tax rulings on the residency status of individuals who are inbound to Australia (Taxation Ruling TR 98/17), or leaving Australia to live overseas temporarily (Taxation Ruling IT 2650).

The Board of Taxation has acknowledged that the current residency rules do not reflect global work practices, and can impose an inappropriate compliance burden on many taxpayers in all but the simplest of cases, which has led to increased uncertainty and disputes. This draft ruling attempts to provide greater certainty to taxpayers.

The draft ruling provides additional guidance in relation to applying the residency tests to temporary workers in Australia under certain Government schemes, and working holidaymakers (in response to decisions such as Addy v Commissioner of Taxation [2019] FCA 1768).

There is also further guidance around complicated outbound residency cases. These outbound cases typically involve situations where an individual retains some ties in Australia, such as continued family connections or maintaining assets in Australia (such as a house or furniture) and have caused the most uncertainty for taxpayers as outcomes are dependent on the facts of the particular case. The ATO gives the example of an individual who moves overseas, but their family will follow six months later when the children finish the school year.

In the example, the individual could become a non-resident of Australia, as their remaining connections of Australia are remnants of prior residency and are not consistent with ongoing residency.

Further commentary can be found here.

New digital strategy and what it means for employer obligations

On 8 September 2022 the Australian Commissioner of Taxation announced that the ATO's Executive Group had endorsed a new digital strategy, which sets out the 2030 vision for enhanced digital administration of tax compliance, through integrated, real-time reporting.

The ATO's digital strategy is aligned to the Organisation for Economic Co-operation and Development (OECD)'s Tax Administration 3.0: The Digital Transformation of Tax Administration discussion document which was published in 2020. That document includes a digital maturity model that outlines recommended steps to achieve digitisation for tax administration.

Although the ATO's documented digital strategy may not be released to the public for some time, it is expected that the strategy will be underpinned by the following five key principles which are broadly based on integrating tax administration into a taxpayer's existent systems, focused on real-time compliance coinciding with the relevant taxable event:

- leverage natural systems;
- imagine the possible;
- sustainable digitalisation and benefits;
- integrity by design; and
- design for the user.

With the ATO's commitment to an enhanced digitisation of tax administration, it would be prudent for taxpayers to consider any current tax processes that necessitate significant out-of-system intervention to enable compliance and keep this front of mind in relation to any future enhancement / upgrade projects. As the ATO moves towards integration into native systems, taxpayers will be encouraged to invest in their internal environment to enable seamless (and real-time) flow into tax compliance. A key example of this currently happening, necessitating employers and payroll vendors to invest in governance and systems, is Single Touch Payroll – Phase 2. Further commentary on the announcement can be found here.

Electric vehicles to be exempt from Fringe Benefits Tax

On 12 December 2022, the Treasury Laws Amendment (Electric Car Discount) Act 2022 received Royal Assent. This Act provides the legislative framework supporting the Government's pre-election policy announcement to provide a Fringe Benefits Tax (FBT) exemption for certain electric cars.

Some of the key FBT considerations for employers (and employees) now that the measure is law include:

- which cars fit within the Act's exemption;
- grandfathering;
- electricity costs;
- in-home charging equipment;
- reportable fringe benefit amount impact;
- other EV costs (i.e. ancillary subscription costs, EV battery replacements etc); and

- governance and stakeholder management.

Further commentary on the key FBT considerations can be found here.

Draft law to reduce FBT record keeping compliance

In acknowledging that FBT record keeping requirements can result in a duplication of existing records that have already been captured by employers through other systems, new measures have been proposed to reduce and simplify FBT record keeping whilst producing similar taxation outcomes with lower compliance costs. In this regard, the Treasury has released a package of Exposure Draft laws on this proposal for public consultation.

The proposed law gives the Australian Commissioner of Taxation the power to modify, by legislative instrument, existing FBT record keeping obligations. It aims to reduce the administrative burden for employers in respect of their FBT record keeping requirements by introducing an alternative method to record keeping by specifying the kind of “adequate alternative” documents or records which reasonably satisfy an employer’s required records for the various types of fringe benefits.

Under this alternative method, employers may be able to rely on existing corporate records as opposed to employee declarations and other prescribed forms when preparing their FBT return. At this stage the draft legislative instruments have focused on alternative records in relation to travel diaries and relocation transport declarations.

Once enacted, the measures will commence in respect of FBT years that commence on or after the beginning of the quarter after Royal Assent is received. Further commentary on the changes can be found here.

The ATO’s current areas of focus for employers

The turn of the calendar year presents a timely opportunity for employers to reflect on key areas of focus and resourcing, particularly in the context of controls and risk frameworks and governance. PwC recently had the pleasure of hosting the ATO Deputy Commissioner for Superannuation & Employer Obligations, for the Payroll Leaders’ and Employment Taxes Forum. The Deputy Commissioner provided valuable insights into the ATO’s current aims and activities and further commentary on the key takeaways from the event can be found here.

Increasing ATO reviews and audits focused on employer obligations

ATO reviews and audits focused on contractors, PAYG Withholding (PAYG), Superannuation Guarantee (SG) and FBT are increasing. There is increased activity from the ATO through specific PAYG & SG audits on identified issues (for example, through data-matching and analytics) and through a “Random Enquiry” programme. In relation to the former, sighted targeted queries and information requests have arisen under Justified Trust programmes (for example, as part of Streamlined Assurance Reviews focused on Income Tax and Goods and Services Tax).

The key takeaway for employers with a presence in Australia is that the ATO has increased its proactivity in identifying non-compliance and, for audits in particular, a key lever is data matching to Single Touch Payroll. It is, therefore, more important than ever that organisations ensure that compliance and governance processes are sound.

Further commentary can be found here.

China

Preferential tax treatment for equity incentive income

The preferential tax treatment for equity incentive plans of listed companies has been further extended until the end of 2023 and resident taxpayers will continue to benefit. In the meantime, employers should closely monitor the tax registration requirements to ensure the equity incentive plan and the employees' participation details are timely and correctly registered with the tax bureau.

Hainan Free Trade Port (FTP)

To further promote the preferential individual income tax (IIT) policy that is for "high-end talent and talent in short supply working in the Hainan FTP who are entitled to an exemption of IIT for the portion exceeding an effective tax rate of 15%" the People's Government of Hainan Province released "Provisional Measures" in September 2022. This makes amendments to the requirement for 'talents', which enjoys the preferential 15% IIT rate, the Catalogue of Talents in Short Supply, the in-charge authorities for talent recognition, etc.

The new Measures took effect from January 2023. In summary, talents must meet both of the following criteria:

1st Criteria: fall into either of the talent types below:

- Type I: Talents recognised by the talent management departments at all levels in Hainan Province; or
- Type II: Talents who earn an annual income in the Hainan FTP that exceeds RMB300,000.

2nd Criteria: meet either of the two conditions below:

- residing in Hainan FTP for 183 days or more in a single tax year.
- for those residing in Hainan FTP for less than 183 days due to the special work nature of industries, they must pay the basic pension insurance in the Hainan FTP for more than six consecutive months in a single tax year (December of the current year included) as employees and be bound by job contracts or employment agreements for more than one year with enterprises or entities registered and substantially operating in the Hainan FTP.

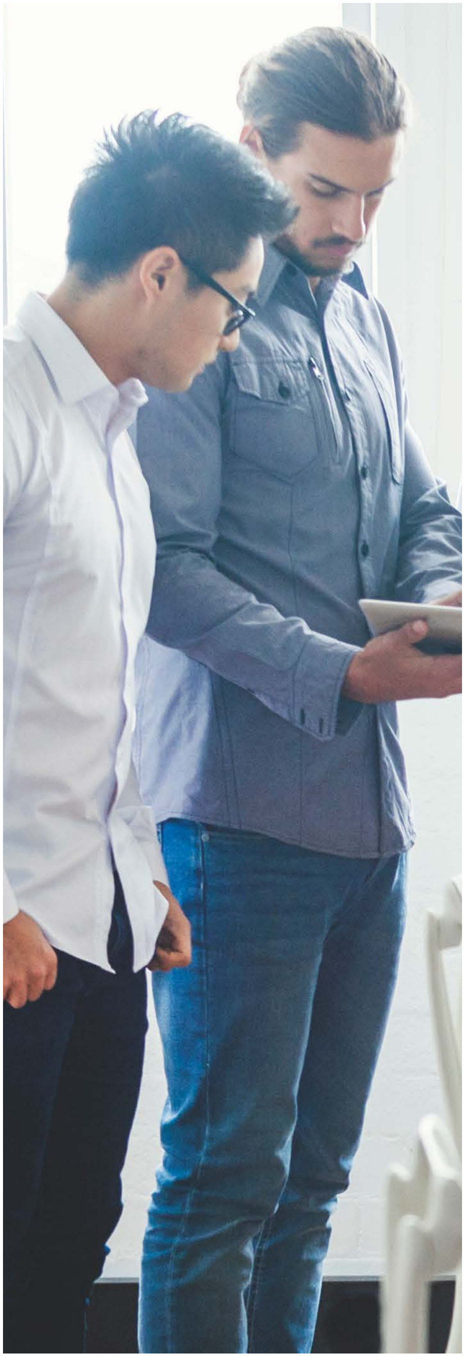
It is recommended that employers review their employment arrangements, talent dispatch strategies, remuneration and benefits (e.g. tax equalisation plan) as well as the substantive operation requirements, and make appropriate adjustments if needed to better enjoy the tax benefits in the Hainan FTP.

Tax-deferred private pension plan

To promote private pension development in China, the Chinese Government has introduced preferential IIT policies for private pensions as follows:

- Upon payment, the payment made by an individual to the personal pension account shall be deducted, according to the relevant conditions, from comprehensive income or business income to the extent of RMB12,000 per year.
- Upon investment, the investment income included in the personal pension account shall not be subject to IIT for the time being.
- Upon receipt of a personal pension, the personal pension received by an individual shall not be consolidated into comprehensive income, instead it shall be separately subject to IIT at the rate of 3%, with the tax paid included in the item of 'wage and salary income'.

This IIT policy came into force in 31 pioneer cities, including Beijing, Shanghai, Tianjin, Guangzhou, Shenzhen, etc from 1 January 2022.



India

Union Budget 2023

On 1 February 2023 the Indian Finance Minister presented the Union Budget 2023. Proposed measures include as follows:

- Income tax rates (including surcharge, health and education cess) for companies (domestic and foreign), firms, limited liability partnerships and individuals are to remain unchanged. This includes rates for minimum alternate tax and alternative minimum tax.
- The New Personal Tax Regime (NPTR) is to be extended to cover Associations of Persons (other than a co-operative society), Body of individuals and artificial judicial persons.

The tax slabs for NPTR are to be revised as follows:

Existing		Proposed	
Slabs (INR)	**Rates**	**Slabs (INR)**	**Rates**
0-250,000	Nil	0-300,000	Nil
250,001-500,000	5%	300,001-600,000	5%
500,001-750,000	10%	600,001-900,000	10%
750,001-1,000,000	15%	900,001-1,200,000	15%
1,000,001-1,250,000	20%	1,200,001-1,500,000	20%
1,250,001-1,500,000	25%	Above 1,500,000	30%
Above 1,500,000	30%		

- The maximum surcharge under NPTR is to be restricted to 25% (against 37%). Other benefits to be provided to taxpayers under NPTR are as follows:
  - Rebate enhanced up to INR 25,000.
  - Standard deduction, family pension and deduction in respect of the amount paid or deposited in Agniveer Corpus Fund allowable as a deduction.
- Persons having income from a business and a profession can opt out from the NPTR once.
- The threshold limit for small professionals to be taxed on presumptive basis at 50% is to be increased from INR 5m to INR 7.5m.
- The tax net is to be widened to include gifts exceeding INR 50,000 to a Resident but Not an Ordinarily Resident.

Indonesia

Benefits in kind now generally taxable

There has been a significant change in the taxability of employee benefits in Indonesia. Previously, most benefits in kind (BIK) (such as housing, school fees, medical insurance etc) were not taxable income in the hands of employees (but, equally, were not deductible for corporation tax purposes for the employer).

Under the Indonesian Government issued Law No. 7 Year 2021 on 29 October 2021, concerning the Harmonisation of Tax Regulations (HPP Law), from 2022 most BIK are taxable in the hands of employees, but also now deductible to the local employer for corporation tax purposes.

There are some limited exceptions, such as company provided food & beverages (for all employees) and benefits for certain remote working areas. It is also possible that the Government will issue further regulations designating certain benefits as not taxable, but as yet no such regulations have been issued.

Increase in personal income tax rates from 2022

Previously, the top marginal tax rate for resident individual taxpayers in Indonesia was 30%, and applied to income in excess of IDR 500,000,000. Due to a change in legislation, from 1 January 2022 a new top marginal rate of 35% was introduced for income in excess of IDR 5 billion. This change takes on even more significance given the change to the taxation rules for BIKs, as outlined above.

There were also some minor changes in the lower bands, and the new rate table is as follows:

Taxable Income	Tax Rate*
≤ IDR 60 million	5%
> IDR 60 million – ≤ IDR 250 million	15%
> IDR 250 million – ≤ IDR 500 million	25%
> IDR 500 million – ≤ IDR 5 billion	30%
> IDR 5 billion	35%

*These rates can also now be amended in the future through a Government Regulation.

The above changes (together with above changes to BIKs) will impact the PAYG requirements for employers.

Japan

Health and welfare pension insurance for part-time workers

Currently, part-time employees are eligible for welfare pension and health insurance if the prescribed weekly working hours and monthly working days are 3 / 4 or more of the regular employees who engage in similar work at the same place of work.

From October 2016, part-time employees who work at companies with 501 or more employees and meet certain requirements became eligible, even if their prescribed working hours per week and working days per month are less than 3 / 4 of regular employees. Due to an expansion of the coverage from October 2022, part-time employees will be eligible if they work at companies with 101 or more employees. The coverage is set to be further extended to those working at companies with 51 or more employees from October 2024.

In addition, under the previous requirements, part-time employees were eligible for welfare and pension insurance when their employment is expected to continue for one year or more. From October 2022, this requirement was abolished and replaced by the same requirement as for regular employees, which requires that their employment is expected to be more than two months.

Requirements of the coverage for part-time employees whose prescribed working hours per week and working days per month are less than 3/4 of the regular employees (underlined items are new):

	Requirements	**From October 2016**	**From October 2022**	**From October 2024**
Company	Company size	501 or more employees	101 or more employees	51 or more employees
Part-time employ-ees	Working hours	Prescribed working hours per week is 20 hours or more.		
	Wage	88,000 JPY or more per month.		
	Employment period	Expected to continue one year or more.	Expected to continue two months or more.	
	Others	Part-time employee is not a student.		

Revision on the requirements for eligibility of health and welfare insurance (for employees whose employment period is two months or less)

Under the previous law, employees who were employed for a fixed period of two months or less were not subject to health and welfare pension insurance.

From October 2022, even if the initial period of employment is two months or less, where the employee is expected to be employed for longer than this period, they will be covered by health and welfare pension insurance from the start of the employment.

The following are cases where employees are covered by health and welfare pension insurance from the start of their employment, even if their employment period is two months or less.

01 Where the company rules of employment or the employment contract clearly states that the contract shall or may be renewed.

02 The company ever extended a similar employment contract for another employee in the past.

New Zealand

Employment judgment on employment status in gig economy

In October 2022, the Employment Court released its judgment in a case concerning a major ride-hailing platform. The Court found that four drivers were in an employment relationship whilst carrying out driving work for that platform, rather than operating as independent contractors. The Court reached this conclusion because, overall, the drivers could not be said to be running their own businesses, but rather servicing the business of the platform. The platform operator has since announced that it will be appealing the decision.

Subject to the result of the appeal, this means that the four drivers are now entitled to payments in arrears for statutory minimum employment entitlements including annual holidays, sick leave, and the minimum wage. While this decision only applies to the four drivers who brought the case before the Court, if it is upheld on appeal, it will undoubtedly have broader implications for the platform operator's wider business model and on other gig economy contract workers.

This decision was arguably somewhat unexpected in light of a previous Employment Court decision which found that a driver who worked for the same platform operator was an independent contractor. However, this latest decision does follow a number of similar international cases, and comes at a time where the New Zealand Government has indicated its intention to implement further legislative protections for contractors.

Fringe benefit tax rate for low interest loans

The Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations (No 2) 2022 (SL 2022/306) were notified in the New Zealand Gazette on 24 November 2022 and came into force on 1 January 2023. The Regulations amend the Income Tax (Fringe Benefit Tax, Interest on Loans) Regulations 1995 by increasing the rate of interest from 4.78% to 6.71% for the purpose of calculating the fringe benefit tax (FBT) on employment-related loans. The new rate applies for the quarter beginning 1 January 2023 and subsequent quarters.

Proposed changes to employment taxes legislation

The Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Bill (No 2) has been re-introduced into Parliament. The Bill contains more than 190 provisions changing tax law spread over 9 main measures and a range of remedial amendments. Specifically in relation to FBT, the amendments include a proposal to introduce an FBT exemption for public transport.

There are also some proposed changes to the PAYE, FBT and employer superannuation contribution tax (ESCT) rules for cross-border workers and some proposed changes to the Non-Resident Contractors Tax rules. Whilst a strict application of employment tax rules is appropriate for domestic employees, this can be disproportionately complicated for cross-border employees and, therefore, the cost of compliance is increased. The proposed amendments seek to reduce the cost of compliance by establishing a more flexible framework for PAYE, FBT and ESCT where these rules are applied to cross-border employees.
The proposed flexibility measures are supported by new rules to support the integrity of the 'sufficient presence test'. Please note that these are only proposals, and it is still to be confirmed whether they will be incorporated into legislation.

Timing of tax on lump sum payment

The Taxation Review Authority (TRA) has dismissed a taxpayer's challenge to being taxed on a lump sum payment received from the Accident Compensation Corporation in the year of receipt. Although the payment related to a number of tax years, the TRA ruled that it must be treated for tax purposes as taxable income in the year of receipt (not spread over the periods it related to, which may have changed the tax outcome).

FBT: regulatory stewardship review

The New Zealand Inland Revenue has released the "FBT: regulatory stewardship review".
The review considers the policy and design of FBT, the compliance and administrative experience of the tax, and whether the FBT regime is fit for purpose for the future.
It is anticipated that work will be undertaken on the FBT regime in the near future, but due to the legislative process it may be some time before it is enacted into the legislation.

Use of Money Interest Rates

The Taxation (Use of Money Interest Rates) Amendment Regulations (No3) (SL2022 / 315) amend the Taxation (Use of Money Interest Rates) Regulations 1998 to:

- increase the taxpayer's paying rate of interest on unpaid tax to 9.21% per annum; and
- increase the Commissioner's paying rate of interest on overpaid tax to 2.31% per annum.

This came into force on 17 January 2023.

Fair pay agreements

The Fair Pay Agreements Act 2022 came into effect on 1 December 2022. The Act implements a mandatory, sector-wide collective bargaining framework which sets minimum terms and conditions of employment (such as minimum pay rates and standard hours of work) across whole industries or occupations. Fair Pay Agreements (FPAs) will be negotiated through a bargaining process between unions (representing employees) and employer representatives.
From 1 December 2022, Unions may apply to the Chief Executive of the Ministry of Business, Innovation and Employment for approval to negotiate an FPA for a specific occupation or industry. Sectors that are expected to be in the running for the first FPAs include hospitality, cleaners, security, early childcare and retail.

More information can be found here.

Restraint of trade

The Employment Relations (Restraint of Trade) Amendment Bill was introduced to Parliament in September 2022. If enacted, the Bill will significantly limit an employer's ability to use all types of restraint of trade in employment agreements, to situations where:

- the restraint is for a period of no longer than six months;
- an employee is paid more than three times the minimum wage (i.e. an hourly rate of at least $63.60 or an annual salary of over $124,000 gross); and
- reasonable compensation (at least half the employee's weekly earnings for each week the restraint is in effect) is paid at the time the employment ends.

Restraints that do not comply will be unenforceable, and as the Bill currently stands, employers with a genuine need for a longer restraint period will not be able to negotiate this. Interestingly, and perhaps of some concern to employers, the new limitations would also restrict the use of non-solicitation restraints which prevent an employee from poaching customers and staff (and which previously generally had been seen as far less controversial than non-competition restraints of trade).

Accredited Employer Work Visa

In July 2022 six temporary work visas were replaced by the new temporary Accredited Employer Work Visa (AEWV). Employers can apply to Immigration New Zealand to become an Accredited Employer to hire migrants on the AEWV.
To be accredited, an employer must meet generic criteria and complete Employment New Zealand's online modules on minimum employment rights. Migrant employees must be paid at least the median wage (currently $27.76 per hour) and pass a "job check", including a labour market test for jobs that pay under a certain threshold.

Singapore

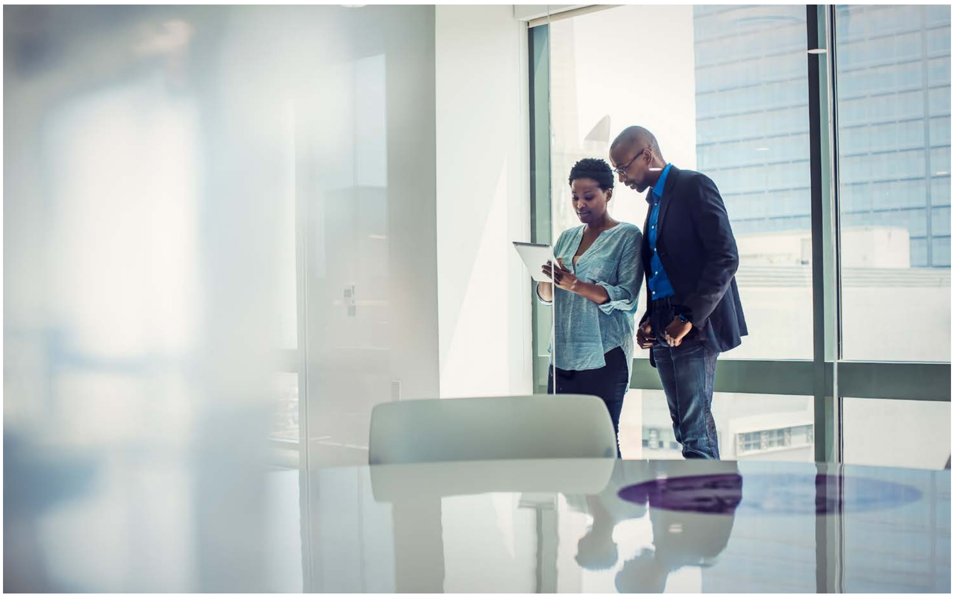
Employer contributions to mandatory overseas pension / provident fund

Currently, a Singaporean employer's contribution to an expatriate employee's home country pension or provident fund is not taxable under an administrative concession (subject to meeting certain qualifying conditions). However, with effect from the year of assessment (YA) 2025, the concessionary tax treatment will cease, which means an employer's contribution made on or after 1 January 2024 to an employee's home country overseas pension or provident fund is taxable in the hands of the employee upon contribution, and deductible for the employer in line with normal tax rules.

New personal income tax rates

Currently the top marginal tax rate for a resident individual taxpayer in Singapore is 22%, for chargeable income in excess of $320,000. From YA 2024 (in relation to the period from 1 January 2023 to 31 December 2023), the top marginal tax rate has been increased from 22% to 24% for income in excess of $1,000,000.

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable ($)
First $20,000	0	0
Next $10,000	2	200
First $30,000	-	200
Next $10,000	3.50	350
First $40,000	-	550
Next $40,000	7	2,800
First $80,000	-	3,350
Next $40,000	11.5	4,600
First $120,000	-	7,950
Next $40,000	15	6,000
First $160,000	-	13,950
Next $40,000	18	7,200
First $200,000	-	21,150
Next $40,000	19	7,600
First $240,000	-	28,750
Next $40,000	19.5	7,800
First $280,000	-	36,550
Next $40,000	20	8,000
First $320,000	-	44,550
Next $180,000	22	39,600
First $500,000	-	84,150
Next $500,000	23	115,000
First $1,000,000	-	199,150
In excess of $1,000,000	24	



CPF Contribution Rates from 1 January 2023

CPF rates have been increased for Singaporean and Permanent Resident (PR) workers aged 55 to 70 with effect from 1 January 2023. PR workers in this age group will see a total increase of three to four per cent in their CPF contribution rates over two years. The new CPF rates from 1 January 2023 are below:

Employee's age (in years)	Current employee contribution rate (%)	Current employer contribution rate (%)	Employee contribu-tion rate from1 Jan 2023 (%)	Employer contribution rate from 1 Jan 2023 (%)
55 and below	20.0	17.0	20.0	17.0
Above 55 to 60	14.0	14.0	15.0	14.5
Above 60 to 65	8.5	10.0	9.5	11.0
Above 65 to 70	6.0	8.0	7.0	8.5
Above 70	5.0	7.5	5.0	7.5

To help manage the increase in costs, due to the increase in CPF contribution rates for senior workers, the Singapore Government will provide employers a one-year CPF “Transition Offset”. This is equivalent to 50% of the increase in the employer’s CPF contribution rates (subject to capping), for every Singaporean and PR worker aged 55 to 70 in relation to whom they have employed.

Note: The rates above are subject to capping based on the Ordinary and Additional Wage Ceilings
(Source: Singapore Budget Speech 2022)

Attendance based incentive schemes

The Ministry of Manpower (MOM) has recently updated its guidelines to confirm that an employer cannot have attendance-based incentive schemes. It is recognised that incentive schemes that take into account statutory sick leave utilisation are not in the best interest of employees and the workplace. Employees who are unwell should seek medical attention for their own, and their co-workers’ well-being, and they should not be disincentivised from doing so.

With effect from 1 January 2023, companies with incentive schemes that take into account statutory sick leave utilisation will face enforcement action from MOM, which could include the suspension of work pass privileges.

South Korea

Flat rate tax for foreign employees

On 23 December 2022, the National Assembly approved the 2022 tax reform package submitted by the Government with amendments. With the recent approval of the tax reform proposals, the period of applying the flat tax rate for foreign employees has been expanded.

In accordance with Article 18-2 of the Restriction of Special Taxation Act, foreign employees working in South Korea may elect to have their Korean sourced employment income subject to a flat tax rate, and the applicable period has been expanded from 5 years to 20 years based on the 2022 tax reform, which takes effect from the tax year 2023 (with no retroactive effect).

Foreign employees who start to work in South Korea no later than 31 December 2023, will be able to apply for a flat tax rate of 20.9% (including 10% local income tax) on their employment income instead of normal income tax rates. This applies for 20 consecutive years from the 1st day they start working in South Korea to the end of the tax year immediately preceding the year in which the 20-year anniversary of the 1st day of work falls.

Thailand

Expense deduction

On 20 December 2022, the Thai Cabinet approved the Shop Dee Mee Kuen campaign, aimed at stimulating domestic spending.

The campaign will offer taxpayers income tax deductions when purchasing products and services with a value-added tax (VAT) commencing from 1 January to 15 February 2023, based on the amount paid but not exceeding Baht 40,000.

The products and services include, for example, the purchase of books and service fees for books in the form of electronic data via the internet and One Tambon One Product goods.

The proposed regulations include the following conditions:

- purchases of goods or services in the amount not exceeding Baht 30,000 must have a full tax invoice in paper form or a full tax invoice in electronic form through the e-tax Invoice and e-receipt system of the Revenue Department; and
- purchases of goods or services in the amount not exceeding Baht 10,000, being the excess of the above, must have a full tax invoice in electronic form through the e-tax Invoice and e-receipt system of the Revenue Department only.

The measures do not cover the purchase during the period of certain products and services, including alcoholic beverages, tobacco, automobiles, motorcycles, boats, newspapers, magazines, tour guide fees, hotel accommodation, public utilities, tap water and electricity fees, internet service fees and service charges with long-term service agreements that start before 1 January 2023 or end after 15 February 2023, and non-life insurance premiums.
Rules, procedures and other conditions will be as prescribed by the Director-General of the Revenue Department.

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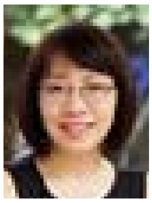

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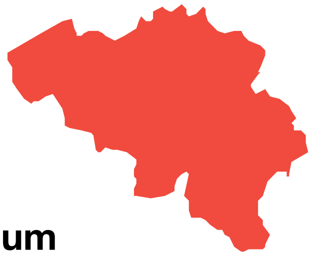


Belgium

‘Greenification’ of company cars

From 1 January 2023, the law concerning the fiscal and social ‘greening’ of the mobility sector provides for new regulations regarding the tax-deductibility of company cars and fuel.

Cars purchased, leased or rented from 1 January 2023 to 30 June 2023

A special scheme will be applicable for ‘hybrid rechargeable cars’ purchased, leased or rented as of 1 January 2023, whereby the fuel expenses will be taxed differently compared to other car expenses.

The new rule provides that for such plug-in hybrids, a distinction must be made between the costs of petrol and diesel, and ‘other’ car costs. For both cost categories, the rule remains that the tax-deductible amount is determined according to the following formula: 120 % -(0.5 % x CO2 emissions x co-efficient), (whereby for ‘false’ hybrid vehicles the aforementioned ‘adjusted’ CO2 emissions must be used).

However, the deduction percentage will be limited to 50% for the petrol or diesel expenses of these cars.

For cars that are purchased, leased or rented between 1 January 2023 and 30 June 2023 which cannot be considered as plug-in hybrids, the previous rules remain applicable.

Cars purchased, leased or rented from 1 July 2023 to 31 December 2025.

Based on a law of 25 November 2021 concerning the fiscal and social ‘greening’ of the mobility sector, the maximum deductibility of costs made in relation to plug-in hybrids and other cars with carbon emission purchased, leased or rented between 1 July 2023 and 31 December 2025 will be reduced annually in order to, by 2029, result in a complete non-deductibility of the car costs made in relation to such cars.

Copyright tax regime and remuneration

The Belgian legislator has significantly modified the system of taxation of copyright income for private individuals as from 1 January 2023.

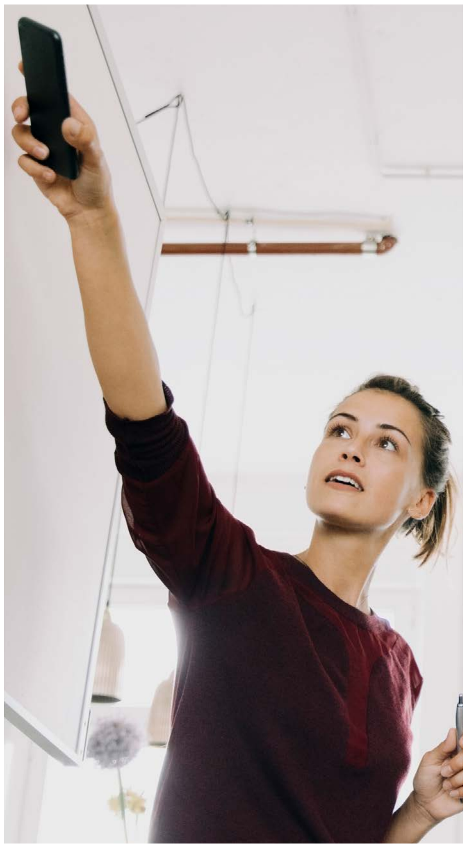
Under the previous regime, part of the remuneration which was deemed to compensate for the transfer of intellectual property was considered movable income subject to taxation of 15% instead of the normal progressive rates of up to 50%). This part was capped at EUR 37,500 (indexed EUR 64,070 for income year 2022).

The new regime only applies to artistic occupations.
These occupations are often subject to more risk such as creative risk, risks associated with irregular income and risks associated with the success of the art created. This change will mean that the software sector (except for video game creators), the marketing sector, the consulting sector, etc. are excluded from using this regime. Currently there is still significant debate as to whether the law sufficiently excludes these sectors and whether such an exclusion is considered unlawful discrimination.

Remuneration granted under the copyright regime cannot exceed 30% of total annual income. This maximum originates from the known practice within the ruling commission where it was assumed that the percentage granted as compensation for copyright could not exceed a 25% threshold in an employee-employer context. It will be possible to take a higher percentage into consideration for the income year 2023 (50%) and income year 2024 (40%) as a transitional measure.

Furthermore, the maximum of EUR 37,500 (indexed EUR 64,070 for income year 2022) will be maintained. However, if the average income from copyright and related rights, determined before the application of the aforementioned limitation, received in the four previous taxable periods (excluding the period in which the activity started), exceeds the maximum of EUR 37,500 then in the fifth year the entire amount received will be considered as employment income.

A transitional regime of 1 year is provided for those who no longer can benefit from the new regime, but who could benefit from the previous regime.



Czech Republic

Social security relief

From February 2023 the social security rates applicable for employers changed. Employers who have employees with reduced / part-time working hours will be able to claim a 5% relief on the sum of the assessment base in respect of such employees.

This relief is available only for selected groups of employees, ie those who:

- Are over 55 years of age.
- Are under 21 years of age.
- Have children under 10 years of age.
- Have a disability.
- Are currently still studying at university.

In addition, there is a limit on the amount of income and amount of work hours. Where an employee has more than one employment contract, the relief may be used only by one of the employers.

Where an employer uses this relief, the social security authority must be notified and the employer will be obliged to disclose:

- The number of employees eligible for the relief.
- The sum of the applicable assessment base.
- The amount of the relief and sum of social security contributions after application of the relief.
- Detailed information in respect of the relevant employees.

Low-emission vehicles

From July 2022 a new reduced rate has been introduced which benefits the use of a low-emission vehicle. Where an employee is permitted to use a company car for private purposes, 1% of the purchase price of the vehicle (including VAT) represents taxable income.
In respect of a low-emission vehicle, the rate has been reduced to 0.5%. For tax purposes, the amendment is valid retrospectively for the whole of 2022 and the difference that may arise in the first half of the year will be settled within the annual tax reconciliation by the employer.

In general, low-emission vehicles are considered to include plug-in hybrids, electric vehicles and hydrogen cars. This includes vehicles whose emission limit does not exceed a CO_2 emission value of up to 50 g / km and 80% of emission limits.

Note, however, that for social security purposes, the amendment does not apply retrospectively and may be used only prospectively from July 2022.

Denmark

Employment status

In a recent decision, the Danish Supreme Court has tightened the understanding of the factors to be taken into consideration in relation to when an individual should be considered to be an employee.

The Court decided that the divers in the relevant case were to be treated as employees and not as self-employed, meaning the relevant (Dutch) company is now obliged to withhold tax and the labour market contributions. The divers worked in Denmark in the period from May to August 2011, approximately between 3-64 days per person.

The decisive elements from the Danish Supreme Court were as follows, the divers:

- Were paid even though in some periods it was not possible to carry out work, for example during bad weather. (However, under sickness, overtime, or cancelled dives the individuals didn't receive payment).
- Did not have the freedom to determine their work methods.
- Were allowed to have other clients, but in practice during the period none of the divers had additional clients.
- Did not employ staff that contributed to the project.
- Company paid the divers' travel costs etc.
- Had their own equipment, but the company had made all other equipment available.

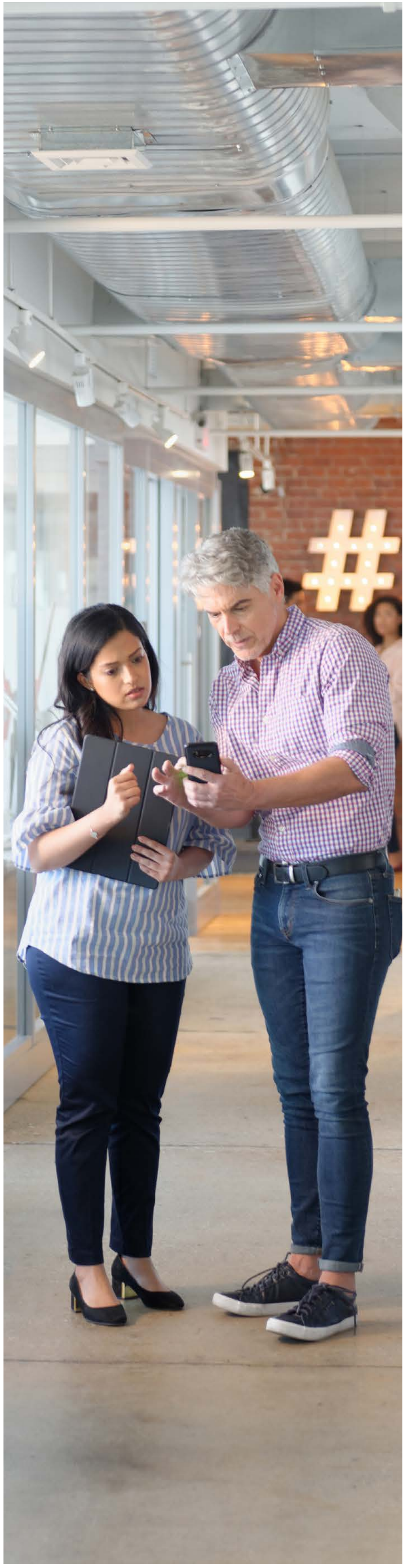
On that basis, it was considered that the divers could not be considered to have incurred business expenses from their own remuneration.

This case may affect other companies who are considering hiring labour for a specific project, once they have taken into account the potential requirement to withhold tax and the labour market contribution for people they had understood to be self-employed.

Tax agenda from the new Government

Following the outcome of the Danish election, the new Government has published its new tax agenda which is expected to be carried out during 2023. However, further details have not yet been published and are also subject to the normal legislative process:

- The Employment allowance is to be increased. It is not yet known whether this will be an increase to the maximum percentage of salary or to the maximum ceiling amount of DKK 45,600.
- Going forward there will be three forms of top tax. A smaller top tax of 7.5% for income between DKK 618,370 to DKK 750,000. A middle top tax of 15% on income between DKK 750,000 and up to DKK 2,500,000. For everything that exceeds this limit, a new 'top-top-tax' of 20% will be introduced. This will result in a real increase in taxation for income more than DKK 2,500,000.

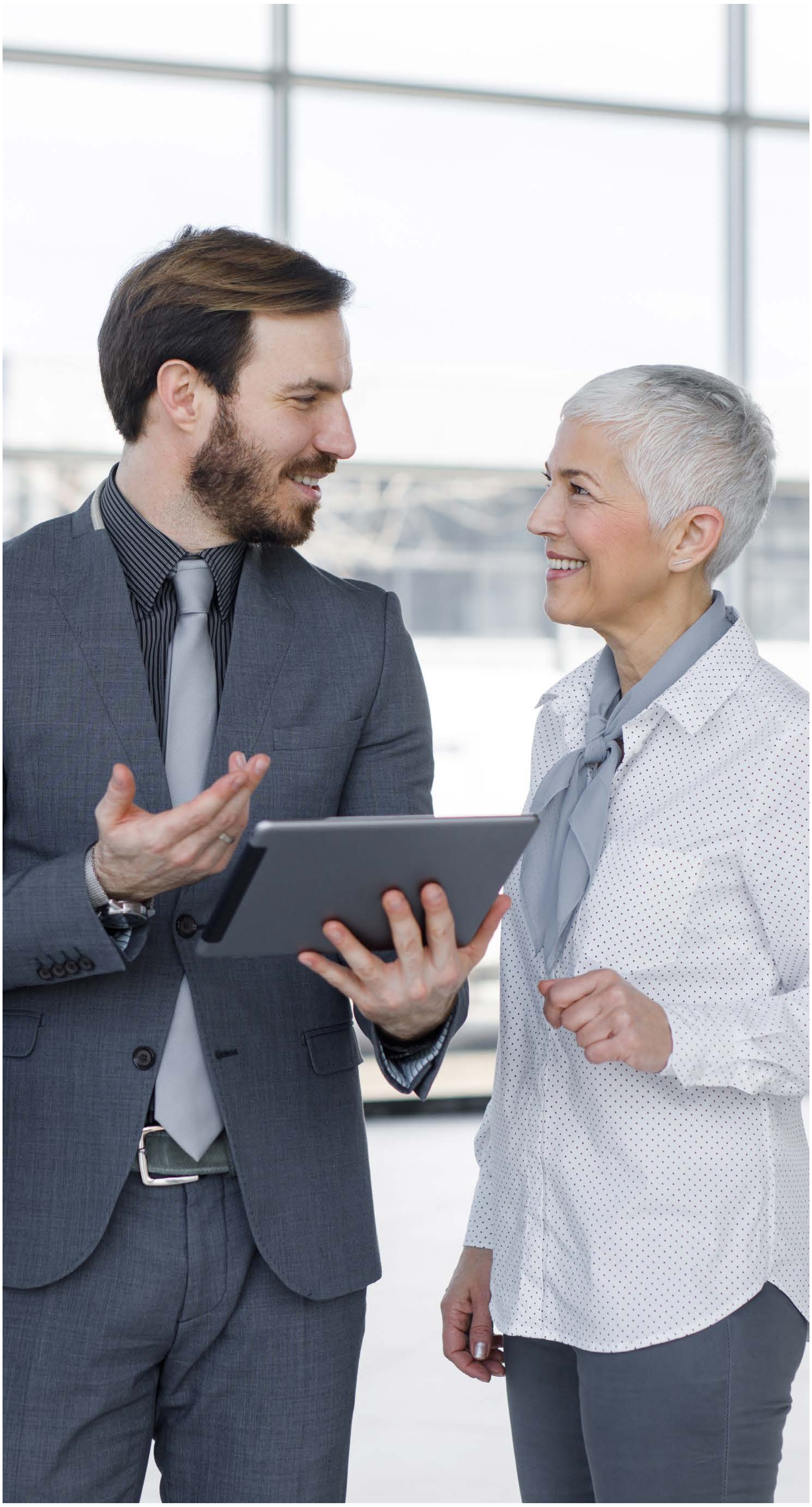


Finland

Economic employer concept

In the September 2022 edition of this newsletter we reported that the Finnish Government was due to introduce new legislation in relation to the economic employer principle, which was expected to come into force from 1 January 2023. The purpose of the proposed legislation was to expand Finland's right to tax income which arises from work that is regarded as being performed for the benefit of a finnish economic employer.

However after long negotiations, the Finnish Government did not present the relevant draft legislation to Parliament. The specific reason as to why the draft legislation did not progress has not been provided. However, it is understood that it was not introduced due to significant differences of opinion between the political parties concerning a number of other government bills. It will therefore be of interest to see if the draft legislation is reintroduced following the next election during 2023. As laws in relation to economic employers are in use in Sweden, Norway, Denmark, and in many other EU countries, it is anticipated that it will also be introduced in Finland in the future.



Germany

Inflation compensation bonus

On 7 October 2022 the Federal Council approved the tax-free grant of an inflation compensation bonus, which is also exempt from social security contributions. The inflation compensation bonus rules state that benefits granted by the employer in the period from 26 October 2022 to 31 December 2024, in the form of grants and benefits-in-kind (BIK), in addition to the wages owed to the employee, to mitigate increased consumer prices are tax-free up to an amount of EUR 3,000. An inflation compensation bonus can be granted as a cash allowance or as a BIK (e.g. vouchers). An employer can pay the inflation compensation bonus in a lump sum, or in several instalments up to a total amount of EUR 3,000.

The bonus must be granted as inflation compensation. To demonstrate that this is the case, it is expected that it will be sufficient for the employer to show the benefit, for example, with a corresponding note in the payroll. It is at the discretion of the employer to decide whether or not to grant the special payment, and whether to pay it in instalments or as a lump sum.

Employers should check whether or not, and under what conditions, the tax / social security-free inflation compensation bonus can be paid, and not have it being treated as a salary adjustment or special payment subject to wage tax and social security contributions. For example, salary sacrifice will in principle not work under this rule.

Wage tax guidelines

On 28 October 2022, the Federal Council approved certain changes to, and clarifications of, the wage tax guidelines, which came into force on 1 January 2023, and may, as far as the clarifications are concerned, be applied for prior years. They are binding on the wage tax offices in their interpretation of wage tax matters.

Some of the relevant changes to be noted for employers include as follows:

- **Tax-free bonuses for work on Sundays, holidays or at night (R 3b):** clarification that in this context (a) ‘Public holidays’ includes easter sunday and whit Sunday and (b) the term 'place of work' is the place where the employee performs the work in each case.
- **Valuation of BIKs and purchase of goods and services (R 8.1, R 8.2):** R 8 has been extensively amended in order to adapt the guidelines, in particular to reflect changes in the law and to changes in BMF letters (e.g. in relation to company car taxation, meal vouchers etc).
- Changes have been made to the explanation of what is ‘comparative rent’, e.g. when applying the ‘rent index’, and also the ‘1 / 3-valuation discount’ which are relevant to properly calculating a taxable rent benefit for an employee.
- **Visiting trips of the spouse in the case of a double household (R 9.11):** expenses incurred for visiting trips of a spouse can be reimbursed tax-free by the employer when the employee is prevented from travelling home to visit their family for professional reasons.
- **Amenities to employees (R 19.6):** gifts in kind up to a value of EUR 60 which are given to an employee’s dependents due to a special personal event (e.g. birthday) are going forward only tax-free in the case of dependents who are living in the employee’s household.
- **Wage payment period in case of limited tax liability (R 39b.):** it is important to note that going forward, working days in a month in which the employee received wages that are not subject to a domestic wage tax deduction will no longer be counted when determining the wage payment period. This rule leads to the application of an unfavourable wage tax table to calculate due wage taxes and generally to a significantly higher wage tax withholding liability, in particular for employees with isolated working days per month (e.g. a multi-state-worker). Note that this rule change may be challenged as it is not based on either a change in tax law or jurisprudence.

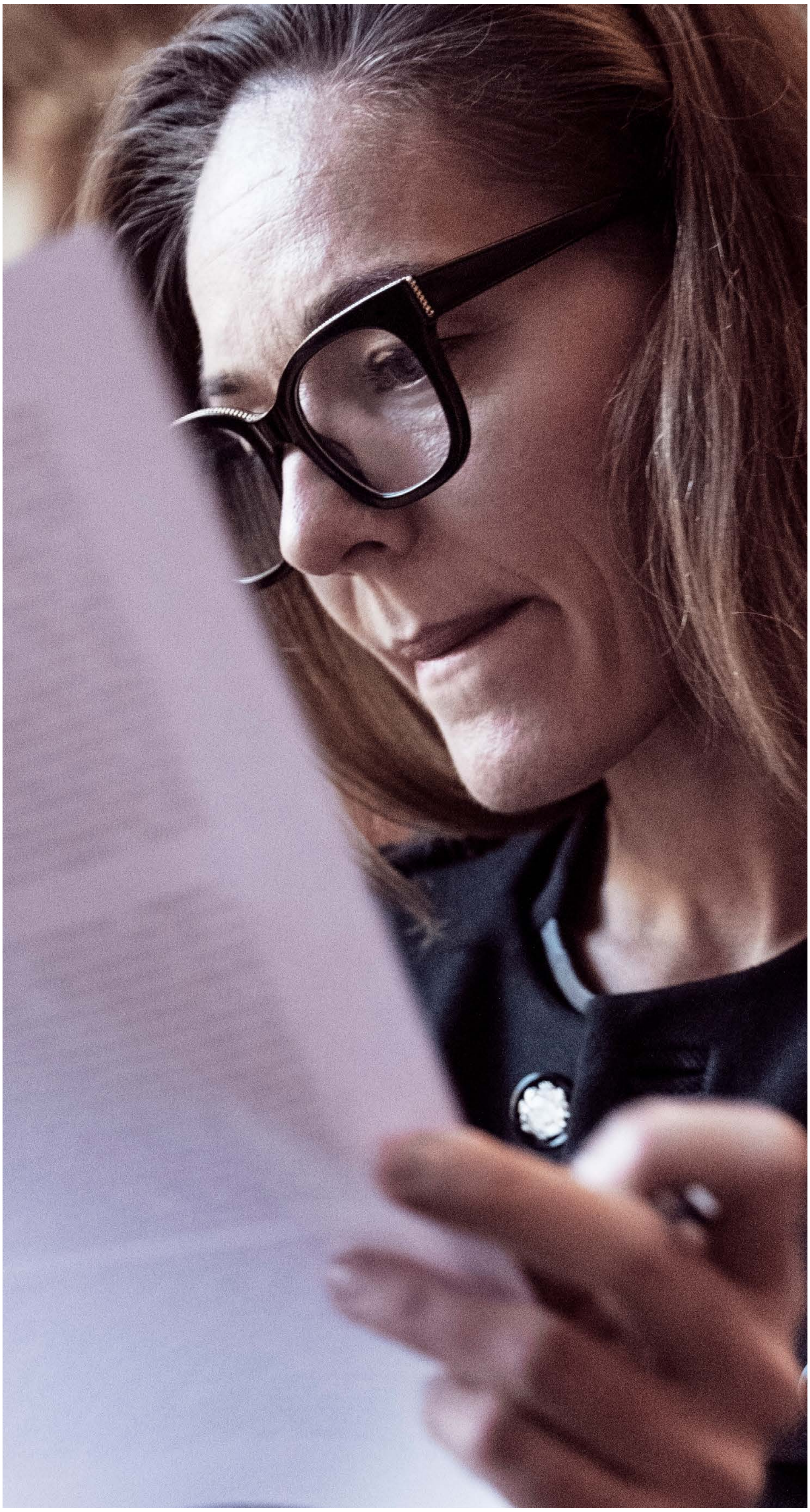
Expenses and allowances

The lump sum deduction for income – related expenses will increase from EUR 1,200 to EUR 1,230 from 2023. The basic allowance has been increased to EUR 10,908 from 2023 and to EWUR 11,604 from 2024. The child allowance has been increased to EUR 3,012 per parent from 2023 and to EUR 3,192 from 2024. Child benefit has been increased to EUR 250 for each child from 2023

Hungary

Tax free allowance to cover fuel costs

Hungarian employers may provide a tax-free allowance to cover the fuel cost of business trips of an employee if the employee uses their own car. Whilst the main rate remains the same (the tax-free amount is the price of the fuel plus HUF 15 for every Kilometre of business usage) the relevant regulations now include new rates for hybrid cars and electric cars. In the case of hybrid cars, 70% of the allowance that would be relevant in the case of non-hybrid vehicles with the same sized engine may be paid. Furthermore, in relation to electric cars, the employer may pay the equivalent of the cost of three litres of petrol for every 100 Kilometres of business usage. This new regulation applies from 1 January 2023.



Ireland

Small Benefits Exemption

The Finance Act 2022 brought some welcome changes to the Small Benefits Exemption Scheme. The exemption increased by EUR 500 to EUR 1,000, with effect from 1 January 2022 retrospectively and provides for two vouchers / gifts not cumulatively exceeding EUR 1,000 in value to be provided tax free.

Current legislation provides that where more than two benefits are given to an employee in a tax year, only the first two qualify for relief under the exemption. As such, care is required where a number, and sequencing, of benefits or gifts are given to employees over the course of the year as only the first two provided would qualify for the exemption (regardless of their value and regardless of whether the exemption is claimed on them) in accordance with the current legislation.

Updates to income tax rates

Income tax rates changed from 1 January 2023. The Standard Rate cut off point increased by EUR 3,200 to EUR 40,000. The personal, PAYE, and earned income credit for the self-employed increased by EUR 75 to EUR 1,775 each.

There was also a small increase in the 2% threshold for USC from EUR 21,295 to EUR 22,920 to reflect the increase to the minimum wage that took effect at the start of 2023. Full-time employees receiving the minimum wage will continue to be exempt from USC's highest rates due to the expansion of the USC band.

The 2023 Income Tax Calculator is a helpful tool for employees to understand how much net pay will increase in the 2023 tax year.

Special Assignee Relief Programme (SARP)

The Special Assignee Relief Programme (SARP) has been extended to 2025. The minimum income requirement has been increased to EUR 100,000 (previously EUR 75,000) for individuals who arrive in Ireland from 1 January 2023. The income cap remains at EUR 1million.

There are two additional conditions that employers should be aware of:

- the individual must have a personal public service number (PPSN); and
- when the employer certifies that the SARP conditions have been satisfied, they must also certify that they have complied with the requirement to register the individual's employment with the Irish revenue.

These conditions must be satisfied prior to the submission of the SARP application which is required within 90 days of the employee's arrival to Ireland. Although delays can be experienced with PPSN applications, the Irish Revenue remain steadfast that these new legislative provisions must be strictly adhered to. Therefore the onus is on the individual and the employer to ensure the PPSN application is submitted as a matter of priority and processing is expedited where required.

Car BIK updates

From 1 January 2023 new BIK rates for company cars apply. The new rates are calculated based on both business mileage and CO_2 emissions (as outlined in the tables below). The emissions are classed under five categories. The new rates result in the BIK increasing for employees who have vehicles with high CO_2 emissions.

Business mileage						Vehicle categories
Lower limit	Upper limit	A	B	C	D	E
		BIK %	BIK %	BIK %	BIK %	BIK %
0 km	26,000 kms	22.5	26.25	30	33.75	37.5
26,001 kms	39,000 kms	18	21	24	27	30
39,001 kms	52,000 kms	13.5	15.75	18	20.25	22.5
52,001 kms	-	9	10.5	12	13.5	15

Vehicle category	CO2 emissions (CO2 g / km)
A	0g / km up to and including 59g / km.
B	More than 59g / km up to and including 99g / km.
C	More than 99g / km up to and including 139g / km.
D	More than 139g / km up to and including 179g / km.
E	More than 179g / km.

Electric car BIK updates

The beneficial BIK treatment of electric vehicles has been extended but will be reduced to zero over the coming years. During the period 1 January 2023 to 31 December 2025, where such a vehicle is made available for an employee's private use, the cash equivalent will be calculated based on the actual original market value (OMV) of the vehicle reduced by:

- EUR 35,000 in 2023.
- EUR 20,000 in 2024.
- EUR 10,000 in 2025.

The BIK rate applied to the cash equivalent (after the deductions above) will be 22.5%. This rate can be reduced further if the employee travels in excess of 26,000 business Kilometres annually.

Additional employer reporting requirements on non-taxable items

The Finance Act 2022 includes measures to impose additional reporting responsibilities on employers. Under the measures, employers will be responsible for electronic reporting of certain 'reportable benefits' which are not subject to PAYE withholding. The 'reportable benefits' are the remote working daily allowance, benefits provided under the Small Benefit Exemption scheme and travel and subsistence payments where no tax is deducted.
The measures are subject to a Ministerial commencement order to allow some time for stakeholder engagement, but are expected to commence in 2024.

The reporting requirements are likely to put additional pressure on employers to have systems in place to accurately monitor and track benefits provided to their employees. These measures are significant and reinforce the Irish Revenue's focus on obtaining real time data from employers with regard to employee benefits. When considered in conjunction with other recent irish revenue guidance, it signals a shift by the Irish Revenue in reviewing employers' PAYE affairs on a real time basis going forward. As such, it will be even more important for employers to have adequate controls and systems in place to monitor and track all benefits provided to employees.

Updated guidance on PAYE self-corrections

The Irish Revenue issued updated guidance on 26 September 2022 which applies to PAYE payroll self-corrections. Where payroll errors are identified in the current tax year, the Irish Revenue will treat the untaxed income / benefits as being paid at the time they are identified. In practical terms, this means that any PAYE / PRSI / USC due will be collected from the employee (and calculated using the latest RPN available) in the next payroll submission. No interest or penalties will be applied.

Prior to publication of this updated guidance, where a payroll error was identified in the same tax year, the employer was required to amend the payroll submission for each period in which the error occurred to ensure the correct revised cumulative figures had been reported. Therefore this updated guidance reduces the administrative burden for employers.

Furthermore, the updated guidance allows for certain concessions in hardship cases where an employee may not have sufficient salary to have the taxes due from them collected in the following payroll submission. For example, the employee can repay the taxes over a period but no later than 28 February following the end of the relevant tax year.

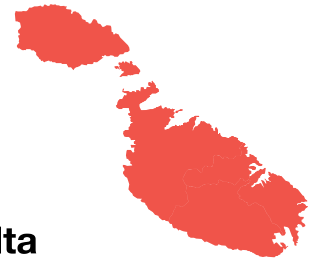
Italy

Employee support

Law Decree no. 176 entered in force on 18 November 2022, and provided urgent support in the energy and public finance sectors. The threshold for goods and services provided by an employer to an employee has been increased to EUR 3,000 for the year 2022. This limit also includes the reimbursement of domestic utilities (i.e. water, electricity and heating). If this limit is exceeded during 2022, the entire value of goods and services provided by the employer to the employee is then subject to income tax and social security contributions.

Foreign sourced dividends

The Supreme Court, with sentence no. 25698 / 2022, has recognised that Italian resident individuals have the right to receive a refund of taxes paid outside of Italy on foreign sourced dividends. Previously, an individual who received a distribution of foreign dividends, without an Italian intermediary acting as a withholding agent, was subject to taxation in Italy on the 'gross dividend income', with no opportunity to make a claim for a refund of the foreign taxes.



Malta

Digital Platform Delivery Wages Council Wage Regulation Order 2022

New regulations have been introduced to ensure that persons engaged to provide paid services consisting of the delivery of any consumer product can gain access to labour and social protection rights by:

- Ensuring the correct determination of their employment status.
- Promoting transparency, fairness and accountability in algorithmic management in respect thereof.
- Enhancing transparency, traceability and awareness of developments in relation to such activity.

Work-Life Balance for Parents and Carers Regulations 2022

New regulations have been introduced to transpose the relevant provisions of Directive (EU) 2019 / 1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents and carers. The regulations repeal Council Directive 2010 / 18 / EU and regulate the implementation of paternal leave, carer's leave, flexible working arrangements for workers who are parents or carers and amends existing provisions relating to parental leave.

Transparent and Predictable Working Conditions Regulations 2022

New regulations have been introduced to transpose Directive (EU) 2019 / 1152 of the European Parliament and of the Council of 20 June 2019 on transparent and predictable working conditions in the European Union. The regulations provide for additional minimum requirements relating to working conditions applicable to every worker in the EU having an employment contract or employment relationship, collective agreement or practice in force in each Member State, taking into account the case law of the court of justice.

Netherlands

Restrictions to the 30% ruling scheme

Subject to certain conditions, employers can reimburse extraterritorial costs tax-free to foreign employees. This can be done on either an expense basis or via the ‘30% ruling’. As of 1 January 2023, these two methods can no longer be used alongside each other in a single calendar year, other than in the first four months of the first year of employment.

As of 1 January 2024, the application of the 30% ruling will be capped. From that date onwards, employers may reimburse a maximum of 30% of income up to the “WNT norm” (the remuneration standard for senior officials). Based on the amount of the 2023 WNT norm (EUR 223,000), the tax-free remuneration amounts to EUR 66,900 euros. If an employee does not work in the Netherlands for the entire year, the amount will be calculated pro-rata.

For foreign employees who are already using the 30% ruling in 2022, the cap will apply as of 1 January 2026 instead of 1 January 2024. For foreign employees who only benefit from the 30% ruling from 1 January 2023 onwards, this transitional regime will not apply. Further commentary on the new rules can be found here.

Stock option regime

New legislation, which took effect on 1 January 2023, alters the point at which stock options are taxable in certain circumstances. This relates to shares obtained by exercising stock options where those shares are subject to a sale restriction.

Where there is a legal or contractual restriction on the sale of the shares following the exercise of the stock option, the tax point is deferred to the point at which the shares become tradable. (Under the previous stock option regime, the exercise of the option was always the taxable event). However, where an election is made, it is still possible to retain the exercise of the stock option as the taxable event.

The legislation does not alter the taxable event for shares obtained under the exercise of a stock option where they do not have sale restrictions. Further commentary on the new rules can be found here.

Employees’ insurance

The maximum income for calculating employees’ insurance contributions has increased from EUR 59,706 (2022) to EUR 66,952 (2023). This may potentially mean an additional cost of over EUR 1,600 per employee (where their wages currently exceed the maximum income). Further commentary on the new rates can be found here.

CO_2 (mobility) reporting requirement

A CO_2 (mobility) reporting requirement for employers with 100 employees or more has been postponed from 1 January 2023 to 1 July 2023. As of that date, employers will be required to keep and report data on their employees’ business travel and commuting between home and work. In principle, the reporting obligation relates to travel for which the employer provides the employee financial compensation, or for which the employer provides e.g. a car or a transport ticket.

In respect of 2023, employers will only be required to report over the second half of the calendar year. Employers should submit this data by no later than 30 June of the following calendar year, meaning the first report should be submitted by 30 June 2024. Further commentary on the new requirements can be found here.

Applied anonymous rate

Where an employee has not provided complete or correct information, such as their name, address or citizen service number, an 'anonymous rate' of 52% withholding must be applied. If the employee then provides the complete / correct data during the course of the year, the regular rate may be applied from that point onwards. Up to and including 2022, the employer was not permitted to correct previous tax return periods in which the anonymous rate was applied. However, from 1 January 2023, after receipt of the complete / correct data, previous withholding of wage tax / national insurance contributions at the anonymous rate may be corrected by the employer, provided the employer does so in the same year as the data is provided. Corrections for the previous declarations of that year must then be submitted.

Changes to the 'usual wage'

The 'usual wage' requirements apply to individuals who work for an organisation and have a substantial interest in it (5% or more), including where this is with their partner. The rules regarding the usual wage have been adjusted.

As a starting point, the usual wage requirement was set at being at least 75% of the wage from the most comparable employment (efficiency margin of 25%). As of 1 January 2023, this efficiency margin was abolished. As a result, the usual wage requirement will be at least equal to the wage of the highest-earning employee within the organisation or at least equal to the wage of the most comparable employment outside the organisation.

This adjustment will increase the wage tax required to be paid. Furthermore, as of 1 January 2023, the relaxation for substantial shareholders of innovative start-ups was abolished. Under this relaxation, the usual wage of a substantial shareholder did not have to be set higher than the statutory minimum wage. However, under a transitional regime, the relaxation will still apply to those substantial shareholders who had already taken advantage of it prior to 1 January 2023.

Increase of travel, work from home allowance and WCR budget

The following increases apply from 1 January 2023:

- The tax-free travel allowance increased from EUR 0.19 to EUR 0.21 per business and commuting Kilometre. In 2024, the reimbursement will be increased to EUR 0.22 per business and commuting kilometre.
- The work from home allowance is indexed from EUR 2.00 to EUR 2.15 per day worked from home.
- The budget of the work-related costs regulation (WCR) has been increased. The budget over the first EUR 400,000 of total wages will be temporarily increased to 3% in 2023. On the remainder, a budget of 1.18% will be applicable.

Poland

Increases to minimum wage

From 1 January 2023 the minimum wage in Poland increased from PLN 3,010 to PLN 3,490. From 1 July 2023, the gross amount of the minimum wage will be PLN 3,600.

Portugal

The following came into force from 1 January 2023:

General personal income tax rates

The threshold for each bracket of personal income tax (PIT) has been increased by 5.1%. The marginal tax rate applicable to the second bracket has been reduced to 21% (previously 23%).

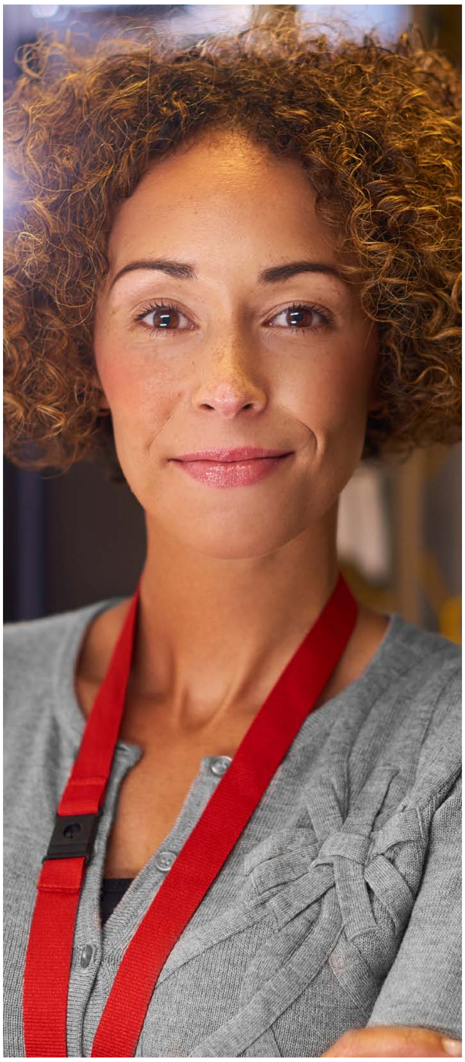
Please see the full table below:

Subsistence level

There has been an amendment to the computation of the subsistence level which applies to holders of income mainly originating from employment, business / professional activities and pensions.

There will be a deduction on the assessment of taxable income, in contrast to the former regime which provided for a minimum amount of guaranteed net income. Two transitional regimes are provided for in relation to 2022 and 2023. The new regime for computing the subsistence level sets out the respective indicators and formulas to assess the amount of the deduction whichmay apply, in addition to the scenarios in which a deduction will not apply.

Taxable income (EUR)	Rate	Amount to deduct (EUR)
Up to 7,479	14.5%	0,00
Above 7,479 up to 11,284	21%	486.14
Above 11,284 up to 15,992	26.5%	1,106.73
Above 15,992 up to 20,700	28.5%	1,426.65
Above 20,700 up to 26,355	35%	2,772.14
Above 26,355 up to 38,632	37%	3,299.12
Above 38,632 up to 50,483	43.5%	5,810.25
Above 50,483 up to 78,834	45%	6,567.33
Above 78,834	48%	8,932.68



Special tax regime for young workers

There has been an extension to the tax regime which applies to income earned by young workers aged 18 to 26 (where they are not dependents). The following exemptions apply:

- 50% in the first year capped at 12.5 times the amount of the social support index (SSI).
- 40% in the second year capped at 10 times the amount of the SSI.
- 30% in the third and fourth years capped at 7.5 times the amount of the SSI.
- 20% in the fifth year capped at 5 times the amount of the SSI.

Deduction for dependents

Where an individual has more than one dependent, there will be an increase of EUR 300 to the personal deduction per dependent (or EUR 150, in case of joint custody), for the second and subsequent dependents aged up to six years old, by reference to 31 December of the year concerned.

Issuance of invoices – tax deduction

There will be a deduction corresponding to 100% of the VAT incurred by any member of a household who has acquired tickets for the use of collective public transport and in relation to the acquisition of subscriptions to periodical publications (newspapers and magazines). This deduction is capped at EUR 250 per household.

Withholding taxes on overtime working

The flat withholding tax rate which applies to remuneration for working overtime has been reduced by 50% from the 101st hour (inclusive) onwards.

The remuneration relating to the first 50 hours of overtime worked from employment, as well as business and professional income, obtained in Portugal by non-tax residents, is exempt from the flat withholding tax rate up to the amount of the national minimum wage.

Reduction for home loan holders

A taxpayer who:

- holds a home loan concerning their permanent home; and
- earns monthly remuneration of not more than EUR 2,700.

is now permitted a reduction in the withholding tax rate on their employment income. Where this is the case, the rate which applies is that in the previous tax bracket and corresponds to the monthly remuneration and family situation.

New model for determining personal income tax withholding

From 1 July 2023, PIT withholding will be determined through a new model, based on marginal rates (rather than the current regime of fixed rates). This new model allows the harmonisation of PIT withholding with the annual PIT brackets. Similar to the annual PIT assessment, monthly withholding taxes will be determined by applying a marginal rate on monthly remuneration and, subsequently, a fixed deduction.

The calculation of tax withholding will also take into account an additional deduction of a fixed amount per dependent (replacing the current rate reductions per number of dependents).

South Africa

Taxation Laws Amendment Bill

The final Taxation Laws Amendment Bill includes amendments to section 7B of the Income Tax Act. One amendment provides for the inclusion of amounts paid to an employee based on work performance, which does not constitute a bonus, as variable remuneration that accrues to the employment when they receive it rather than when they have earned it through their performance.

A further amendment to this section is the inclusion of a proviso which states that any variable remuneration is deemed to accrue on the day prior to the date of death of an employee, where they die before payment. These changes ease the burden experienced in practice when an employee has earned remuneration but has not received it when they die and the income then falls to be included in the estate of the deceased employee.

The implementation date of the aforementioned amendments is 1 March 2023.

Two-pot retirement scheme

The draft Revenue Laws Amendment Bill published in 2022 proposed a new 'two-pot' retirement system (i.e. a 'savings pot' and a 'retirement pot' that will accumulate after the implementation date). The proposed changes are likely to impact employees accessing their South African retirement fund savings if they resign from employment prior to their retirement.

The proposal came about as a result of two primary concerns:

- Lack of preservation of South Africans before retirement; and
- Some households being in financial distress where they have assets within their retirement funds that are not accessible, even in case of emergencies.

The original proposed effective date was 1 March 2023 but the National Treasury has now postponed the implementation of this retirement system until 1 March 2024.

Spain

Start-Ups Law

On 1 December 2022, the 'Start-Ups Law' was approved in the Spanish Parliament. Under this new law, the legislator wanted to establish a specific regulatory framework to support the creation and growth of emerging companies in Spain, promoting entrepreneurship based on innovation in an increasingly globalised and interdependent economy, in which technology companies and remote workers with digital media acquire a special role.

Further details are set out below:

Company flex policies tax exempted for Spanish non-tax residents

- Meal vouchers up to a limit of EUR 11 per day.
- The use of goods intended for social and cultural services for employees.
- Health insurance with a limit of EUR 500 per year per person (EUR 1,500 in case of disability).
- Childcare vouchers.
- A transport ticket up to a limit of EUR 1,500 per year for each employee.
- The delivery of shares or participation in the company to the extent that does not exceed EUR 12,000 per year.

Increased tax exemption for shares issued by start-ups.

The exemption consisting of the delivery of shares (or other participation) to employees of EUR 12,000 per year has been increased to EUR 50,000 for employees of start-up entities. The requirement that the offer has to be made under the same conditions for all of the company's workers remains in place.

In addition, there is a special temporary imputation rule and a special valuation rule. Under the special temporary imputation rule, the taxation of the employment income is deferred until the earliest of:

- The start-up going public;
- The employee transferring the shares or other participation to a third party; and
- 10 years from when the employee received the shares or other participation.

The special valuation rule establishes that the benefit in kind for the shares or other participation provided to the employees in start-ups will be valued with reference to the value of shares or participations subscribed for by an independent third-party in the last capital increase made in the year prior to the delivery of the shares or participations to the employee.

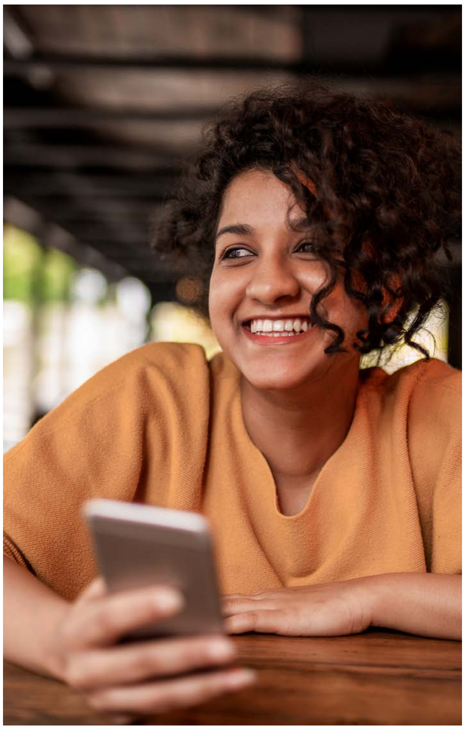
Carried interest definition

The taxation of special economic returns, generally obtained by fund managers and usually instrumented through shares or participation, has always been a controversial issue. A new regulation treats carried interest as employment income, but also establishes a favourable tax regime based on the integration at 50% of the income obtained, provided certain requirements are met.

Special tax regime for non-residents

In relation to the non-resident tax regime, the start-up law:

- decreases from 10 years to 5 years the required period of non-residence for tax purposes in Spain; and
- extends the subjective scope of the regime by giving access to 'digital nomads', administrators of start-ups, highly qualified professionals and family members of the applicants.



New Solidarity Tax

A new Solidarity Tax on large Fortunes is configured as a complementary tax to the wealth tax and cannot be transferred to the autonomous regions. The taxable threshold is the ownership by an individual of a net wealth of more than EUR 3 million. This tax will be applied throughout the national territory.

The reason for this new tax is based on two main purposes, one of which is to raise revenue in the context of the current energy and inflation crisis, and the second is to harmonise, with the aim of limiting the differences in the taxation of assets between autonomous regions. In this respect, if the new tax is finally approved, it is anticipated that questions will be raised regarding its compliance with the distribution of competences between the state and the autonomous regions, and may generate significant levels of litigation.

Social security contributions

The employee social security contribution ceiling has increased to EUR 4,495.50 per month for the fiscal year 2023.

New digital nomad visa for remote workers

Qualified professionals from third-party states will be authorised to stay in Spain to carry out remote work or professional activities for companies located outside of Spain, through the exclusive use of computer, telematics and telecommunication systems.

For the purposes of the law, qualified professionals are classed as:

- Graduates or postgraduates from universities of recognised prestige, professional training and schools of business of recognised prestige; or
- Workers with professional experience of a minimum of three years.

The visa for digital nomads will be valid for a maximum of one year. In addition, digital nomads will be able to apply for a residence permit that will be valid for a maximum of three years plus a possible two further years.

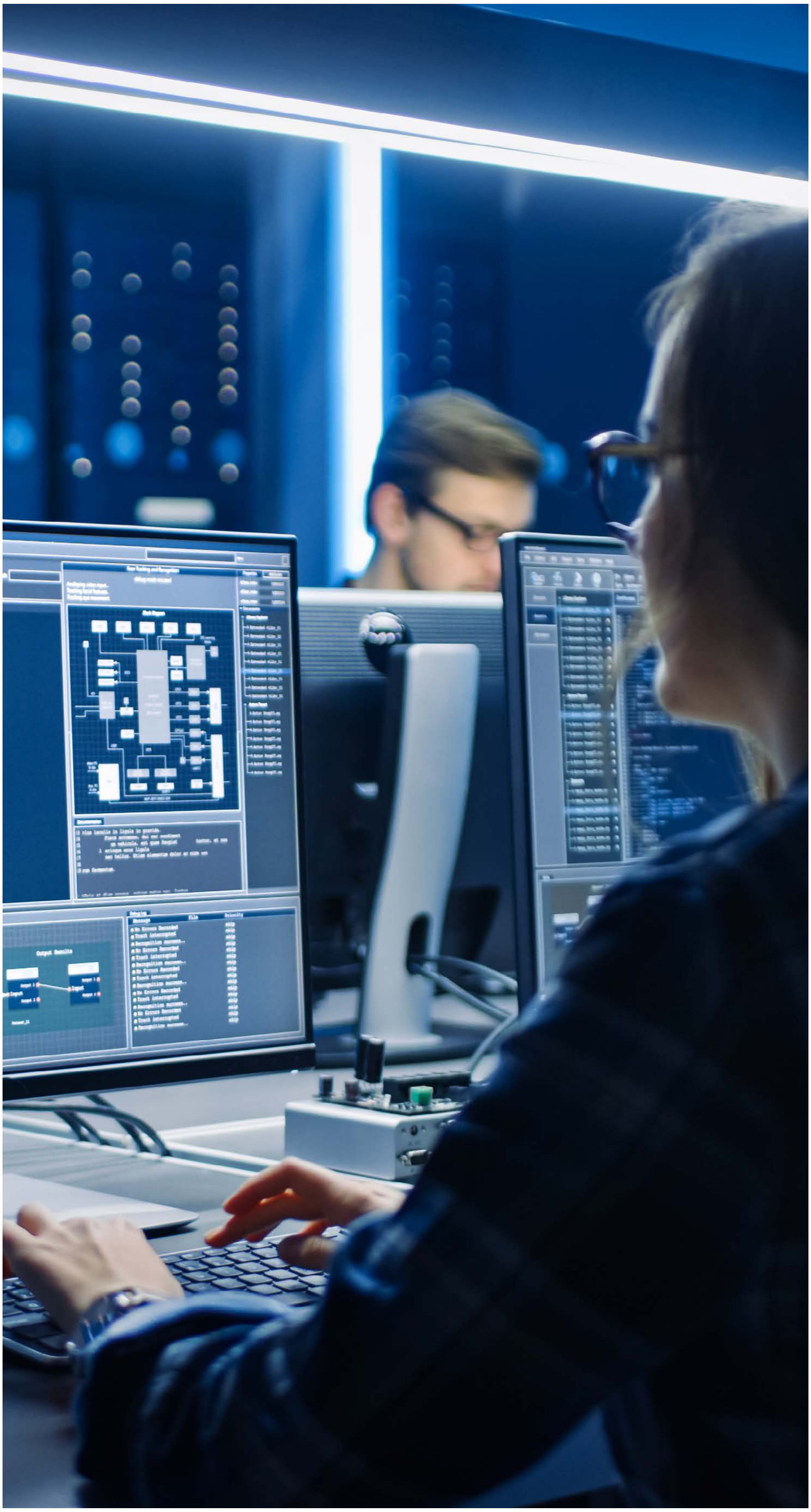
Sweden

Retroactive earned income for non-EU residents

The Supreme Administrative Court has recently made a statement regarding a possible tax exemption for non-residents. On 25 October 2022 the Court decided not to review the dispensation for an appeal regarding a decision made by the court of appeal, which leaves the previous rulings fixed.

Previous case law stated that EU-citizens that are non-residents in Sweden were able to apply a tax exemption (six month rule tax exemption) since the requirement for tax residency was in conflict with Article 45 of the reaty on the functioning of the European Union and concept of free movement of workers.

The question in the court case was whether such rules were discriminatory against non EU-citizens if they were to be treated differently, in accordance with double taxation agreements following the OECD guidelines. The ruling concluded that it was not on the basis of nationality but on non-tax residency and that such criteria were not directlyndiscriminatory and not against double taxation agreements. Non EU-citizens were therefore taxable in Sweden from earnings through working abroad, where the income was received after arrival to Sweden, such as incentive disbursements or bonus payments.



Switzerland

Unemployment insurance contribution adjustment (ALV)

From 1 January 2023, the solidarity percentage for contributions to the ALV will be suppressed. This means that contributions will no longer be due on salary components exceeding CHF 148,200 per year. Up to this limit, the contribution will continue to be 2.2%. employers and employees must each pay 50% of this amount.

Gradual increase in the retirement age for women

On 25 September 2022, swiss voters approved a reform to stabilise old-age and survivors' insurance (OASI 21). This will bring the formal retirement age for women in line with that of men at 65. The reform will come into force on 1 January 2024. However, it will be implemented gradually by three months each year, so that the uniform reference age of 65 will apply from 2028.

Women born between 1961 and 1969 belong to the transitional generation. As they are close to retirement, they can benefit from compensatory measures, which include a lifelong pension supplement for those who do not draw their retirement pension in advance, and lower reduction rates for those who draw their retirement pension in advance.

This adjustment will also affect insurance areas such as occupational pensions. It is recommended that employers check at an early stage what action needs to be taken in this regard.

This includes, for example, a revision of the employee regulations or handbook or technical system adjustments in payroll processing.

New data protection law

A significantly revised Swiss Data Protection Act, and the associated new obligations for companies, will come into force on 1 September 2023.

Many of the changes are in line with the European general data protection regulation.

They include:

- The suppression of the protection of legal entities.
- The introduction of an obligation to report data losses and breaches of data security.
- An expansion of information obligations (these must be documented with a directory-the conditions are dependent on a specific minimum size of the company).
- Significant changes to data exports and stricter sanctions compared to the current law.

The basic principles of data protection remain unchanged. For example, compliance with familiar processing principles such as including transparency, purpose limitation and data security.

The revised law does not provide for any transitional period, so therefore it is recommended that employers prepare for it in advance.

Documentation of home – office days

In principle, employers are currently not required to record home-office days of their employees on their salary certificate. Nevertheless, documentation can be useful, particularly in an international context, as inquiries from (foreign) authorities are to be expected. This is particularly the case in the context of cross-border commuters, where the employer must not only ensure that the social security deduction is correctly allocated but also must exclude the foreign working days in the withholding tax calculation (if a deduction must be made) in accordance with 'circular 45'. This can only be done correctly if the employer knows when and where their employee has worked. The employer should document this properly with a travel calendar.

Turkey

Employer incentives

There have been a number of changes to the taxation of incentives which will be of interest to Turkish employers:

- Under a new regulation which came into effect on 1 December 2022, in addition to the benefits provided by issuing meal vouchers and meal cards, meal costs paid in cash (up to certain thresholds) are now included within the exemption.
- Under a new regulation introduced in November 2022, payments that are made between 9 November 2022 and 30 June 2023, with a total monthly amount not exceeding TRY 1,000, for electricity, natural gas and other heating expenses, in addition to the current wages of the employees, are exempt from income tax.
- Salary payments made to service professionals working in construction, repair, installation works and technical services abroad, which are paid by the employer as foreign earnings in return for their work carried out abroad, are also now exempt from income tax subject to certain conditions.

Wealth amnesty programme

The wealth amnesty programme in Turkey will continue until 31 March 2023. Wealth amnesty is generally available to both individuals and companies and allows them to regularise undisclosed assets both in and outside Turkey. Under the amnesty programme the tax authority will not demand any past taxes or penalties in respect of prior non-compliance, provided certain conditions are met.

The main conditions for benefitting from the amnesty are:

- assets that are abroad must be physically repatriated to Turkey or must be transferred to a Turkish bank or intermediary institution account within three months of the declaration; and
- taxes applied to the assets declared under the amnesty must be paid on time.

In relation to offshore assets, the amnesty imposes different tax rates based on the declaration date (2% for assets that were declared by 31 December 2022, and 3% for assets declared by 31 March 2023). Where declared offshore assets are held in Turkey for at least one year after they are transferred to a bank in Turkey, it is possible to apply to the tax authority for a refund of the tax which was previously declared and paid.

Cost of living

Inflation in Turkey has increased dramatically in recent months and it is expected to continue rising in 2023. The minimum monthly wage (gross amount) has officially been announced for the year 2023 and is now TRY 10,008.

United Kingdom

Holiday entitlement consultation

Earlier this year the UK Government launched a consultation in relation to the calculation of holiday entitlement for part-year and irregular hours workers. This follows a decision of the Supreme Court in 2022 which had a significant impact on how employers must calculate holiday entitlement for workers who do not work all year round. The Supreme Court concluded that entitlement for part-year or irregular hour workers (e.g. term time, seasonal and casual workers) should not be pro-rated proportionate to the amount of work done and instead entitlement should be 5.6 weeks of leave each year. This currently remains the legal position.

As part of the consultation, the UK Government suggested that a 52-week reference period be introduced for part-year and irregular hour workers, which would determine the holiday entitlement for each leave year. This would be a different 52-week reference period to that currently used to calculate holiday pay. The UK Government is proposing that hours worked in this reference period are multiplied by 12.07% to determine entitlement. The consultation also gave further consideration to when the 52 week reference period for entitlement would run from (either fixed or rolling) and how entitlement would be determined for those in their first year of employment.

This consultation reflects that holiday pay and entitlement continues to be a key issue for the UK Government and employers. It is important for employers to review their approach to holiday entitlement and pay, including in terms of:

- Ensuring the correct approach is taken for workers with normal working hours (which was not subject to the consultation).
- Checking current practices for part-year or irregular hours workers to understand if they are aligned with current case law, including: paying out holidays as they are taken (rolled up holiday pay continues to be unlawful) and accounting for the correct pay and hours in calculations.
- Understanding the impact of the proposed changes on current practices.

The consultation closed on 9 March 2023 and the UK Government is currently considering its response.

Allocation of tips

The UK Government has agreed to back a private members bill, known as the 'Tipping Bill', which is currently passing through the UK Parliament. This Bill, if enacted, will put in place legislation to overhaul 'tipping' practices, which will have a particular impact across the Hospitality and Leisure industry. The Bill, as currently drafted, includes a range of changes that will impact employers who collect tips, gratuities or service charges from customers. Some of the main changes include:

- A requirement for all employers to distribute 100% of tips, gratuities and service charges to employees.
- Implementation of a statutory Code of Practice setting out how tips should be distributed to ensure fairness and transparency, which all employers must comply with.
- New rights for workers to make a request for information relating to an employer's tipping record, enabling them to bring forward a credible claim to an Employment Tribunal.

The changes will also impact employers if there is an existing tronc in operation or if they are looking to introduce a tronc scheme.

Although this has not yet been officially confirmed, it is currently expected that the measures will come into effect during 2024.

National living wage and national minimum wage

The National Living Wage (NLW) and the National Minimum Wage (NMW) will increase from 1 April 2023 as follows:

- NLW (age 23+): increase from £9.50 to £10.42 (9.7% increase).
- NMW (age 21-22): increase from £9.18 to £10.18 (10.9% increase).
- NMW (age 18-20): increase from £6.83 to £7.49 (9.7% increase).
- NMW (under 18): increase from £4.81 to £5.28 (9.7% increase).
- Apprenticeship wage: increase from £4.81 to £5.28 (9.7% increase).
- Accommodation offset rate: increase from £8.70 to £9.10 (4.6% increase).

The rules governing the calculation of NLW and NMW are complex and have been subject to change over the past few years, which has meant that many employers have found themselves breaching the rules inadvertently. The financial and reputational implications of a NLW / NMW breach are significant. They can include penalties of up to 200% and being publicly named and shamed by the UK Government.

Employers should consider carefully the impact of the increases on their business and how they can ensure compliance, especially for those workers who are paid a salary as their NMW 'category' may have altered following changes in the NMW legislation in April 2020.

Income tax and NIC allowances and thresholds

The threshold for the additional rate of tax, which is currently payable on income over £150,000 has been reduced so that it becomes payable on income over £125,140 from 6 April 2023.

The standard Personal Allowance for the 2022 / 23 tax year (£12,570) and the higher rate threshold (£50,270) will now remain in place until April 2028 (previously they were due to be reviewed for April 2026).

From 6 July 2022 the earnings threshold at which employees started to pay NIC increased from £9,880 to £12,570 per year. This threshold will now remain at this level until April 2028.

The current earnings threshold at which employers start to pay Class 1 Secondary NIC for their employees (£9,100 per year) will also now remain at this level until April 2028.

Company cars and vans

The benefit in kind (BIK) charge for private fuel provided for company cars and vans, and the van benefit charge, will increase in line with CPI from 6 April 2023.

The BIK percentage for electric cars will remain at 2% until 5 April 2025. The rate for electric and ultra-low emissions cars emitting less than 75g / km will then increase at 1% per tax year for the following 3 tax years.

The electric car BIK percentage from 6 April 2025 will therefore be 3%, before increasing to 4% from 6 April 2026 and 5% from 6 April 2027.

For ultra-low emissions cars the BIK percentage will increase to 19% from 6 April 2025, 20% from 6 April 2026 and 21% from 6 April 2027.

The BIK percentage for all other cars will increase by 1% from 6 April 2025, up to a maximum of 37%, and will then be fixed until April 2028.

The Vehicle Excise Duty exemption for electric vehicles will also cease from 6 April 2025.

The Advisory Fuel Rates for fully electric cars has also changed. From 1 March 2023 the rate rose from 8 pence to 9 pence per mile.

Company share option plans (CSOP)

From 6 April 2023, qualifying companies (broadly, independent companies and listed companies) will be able to award-tax favoured CSOP options to employees over shares worth up to £60,000, which is double the previous £30,000 limit (which had been in place since 1996).

In addition, the restrictions on which share classes can be used are to be eased, better aligning CSOP with the Enterprise Management Incentive regime that applies to qualifying smaller companies (those with less than £30 million of gross assets, carry out a qualifying trade and have fewer than 250 employees).

Compliance resource

The UK Government has confirmed a further investment of £79 million over the next five years into additional compliance resources for the UK tax authorities (HMRC).

The stated intention behind this funding is to tackle cases of serious tax fraud and address tax compliance risks among wealthy taxpayers.

It is envisaged that this investment will allow additional HMRC staff to be allocated to compliance reviews and address tax compliance risks and is forecast to bring in £725 million in additional tax revenue over the five year period.

Spring Budget 2023

The Chancellor, Jeremy Hunt, delivered his Spring Budget on 15 March 2023. The Spring Budget follows on from a series of fiscal events which took place in the second half of 2022, including the Autumn Statement on 17 November 2022. The announcements reflect the Chancellor's stated four priorities for growth, one of which is Employment measures, and as reflected below:

Pensions

Pensions tax relief

A number of significant announcements have been made in relation to pensions tax relief, with a particular view to encourage those aged over 50 to return to work or to delay their retirement plans.

The following has been announced, with effect from 6 April 2023:

- the lifetime allowance (LTA) charge will be abolished;
- there will be a new monetary limit for the Pension Commencement Lump Sum (PCLS, the UK tax free cash lump sum). The maximum will be 25% of the current LTA (i.e. £268,275), except where existing LTA protections apply;
- the annual allowance (AA) will increase from £40,000 to £60,000;
- the minimum tapered AA, which applies to those individuals with higher levels of income, will be increased from £4,000 to £10,000. The level of income required for the tapered AA to begin to apply to an individual increases from £240,000 to £260,000; and
- the money purchase annual allowance will increase from £4,000 to £10,000.

Employment

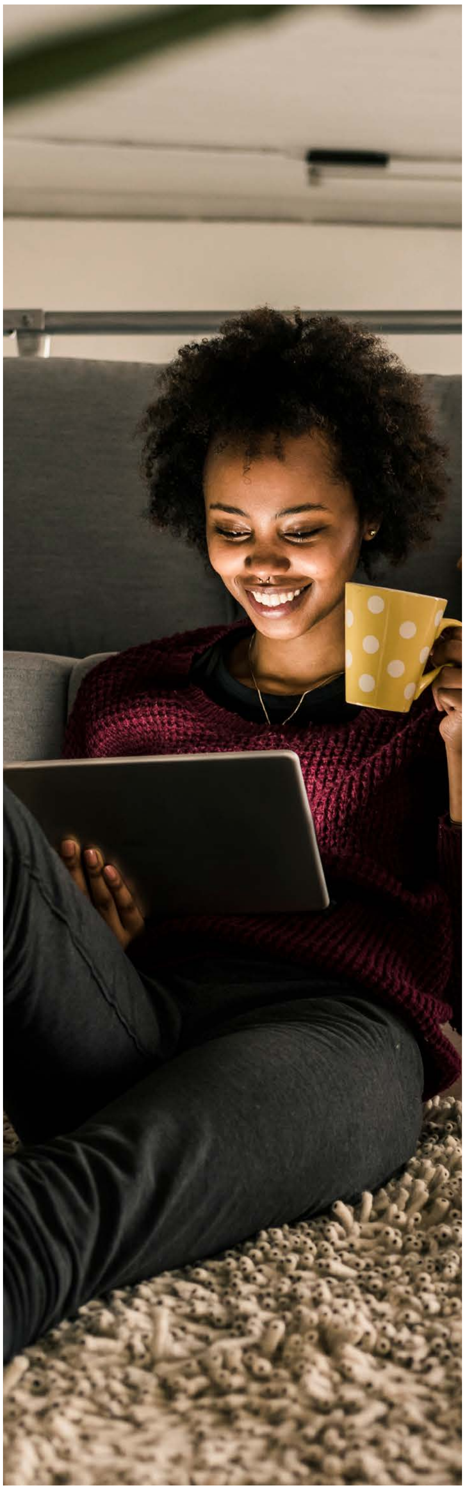
Investment Zones

The UK Government is launching a refocused Investment Zones programme to catalyse 12 high-potential knowledge-intensive growth clusters across the UK, including 4 across Scotland, Wales and Northern Ireland. Each cluster will drive the growth of at least one of the UK Government's key future sectors - green industries, digital technologies, life sciences, creative industries and advanced manufacturing - bringing investment into areas which have underperformed economically.

Investment Zones will have access to a tax offer matching that in Freeports, consisting of enhanced allowances including, amongst other things, Employer National Insurance Contributions (NIC). This should allow for a 0% rate of Employer NIC on earnings up to £25,000 for all new hires who spend more than 60% of their time working within the tax site in the Zone (time limited to a 3 year period). Alongside this, Investment Zones will have access to flexible grant funding to support skills and incentivise apprenticeships, provide specialist business support and improve local infrastructure, depending on local requirements.

Returnerships

A significant number of measures have been announced to encourage those over 50 back into work, including the introduction of Returnerships. This is a new initiative targeted at the over 50s, bringing together existing skills programmes offered by the UK Government, focusing on flexibility and previous experience to reduce training length. The UK Government will also commence promoting accelerated apprenticeships, Sector-Based Work Academy Programme placements and Skills Bootcamps to those over 50, with additional funding being provided to meet anticipated increased demand.



The UK Government will also commence promoting accelerated apprenticeships, Sector-Based Work Academy Programme placements and Skills Bootcamps to those over 50, with additional funding being provided to meet anticipated increased demand.

Childcare Funding

A number of changes have been announced in relation to the UK Government's funding of childcare.
These include:

- increasing the rate per hour that the Government pays to childcare providers;
- increasing the minimum staff ratios in England, so that for 2 year olds, this changes from 1:4 to 1:5 (aligning with Scotland), but will be optional and for the provider to decide the staffing relevant within their setting;
- up-front funding for those parents on Universal Credit childcare when moving into work or increasing their hours, along with an increase to the Universal Credit childcare cap from £640 to £941 for one child, and £1,108 to £1,630 for two children); and
- 30 hours per week of free childcare for 38 weeks of the year is to be expanded for qualifying parents in England from the current position available for 3 and 4 year olds to all children from 9 months old to when they start school. This will be introduced on a phased basis between April 2024 and September 2025.

There will also be a wraparound pathfinder scheme put in place so that all schools are in the position to offer wraparound care by September 2026.

Occupational Health

The Government regards occupational health issues as a barrier to labour market participation.
Announcements include:

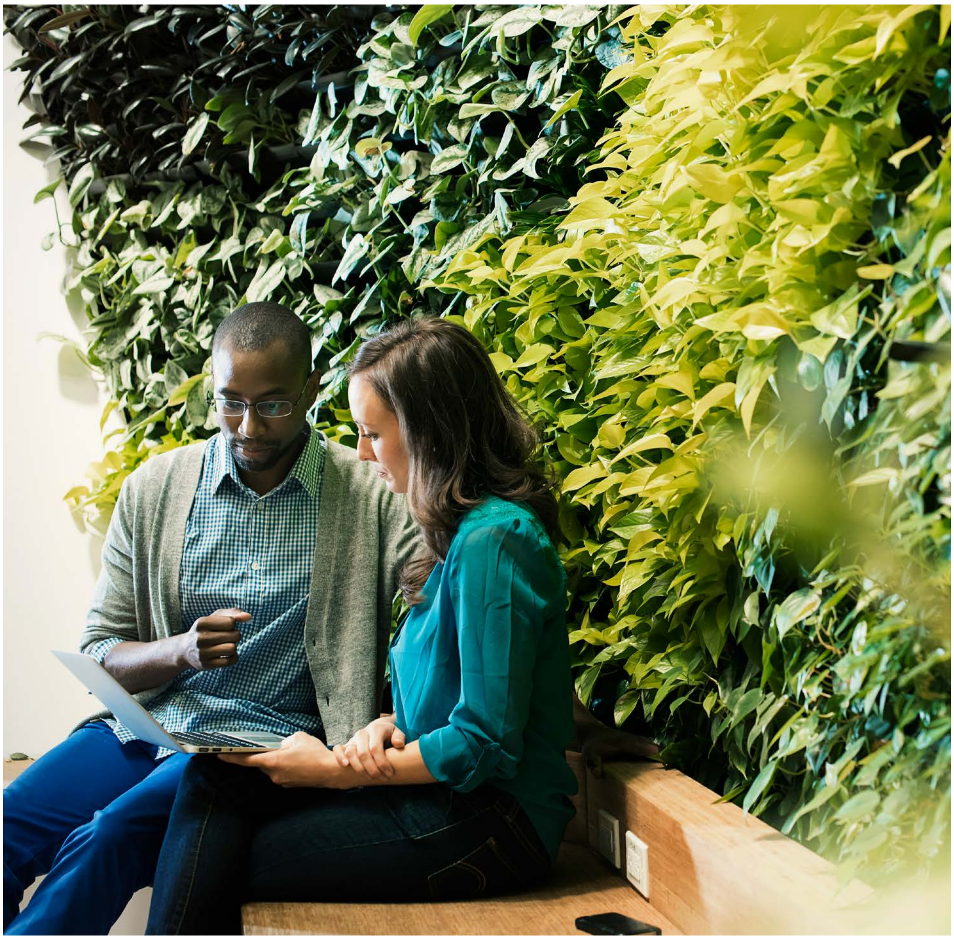
- expanding the forthcoming occupational health pilot subsidy scheme for small and medium sized businesses originally announced in 2021;
- launching a consultation on options for incentivising greater take-up of occupational health provision through the tax system; and
- consulting on ways to boost UK occupational health coverage, including through regulations to require employers to provide occupational health services alongside a process of kitemarking and professional accreditation.

Agent access for payrolling benefits in kind

The Government has stated it will deliver IT systems to enable tax agents to payroll Benefits in Kind on behalf of employers.

Tax administration framework review: Modernising income tax services

The Government is publishing a discussion document on modernising HMRC’s income tax services which seeks views on how to integrate and modernise ITSA and PAYE to better enable taxpayers to manage their own affairs online and reduce the need to contact HMRC.



Reward

Enterprise Management Incentives

Enterprise Management Incentive (EMI) options, which are a particularly flexible form of tax-advantaged share options targeted at smaller independent companies, will be made easier to operate by provisions announced in the Budget to remove or amend some administrative requirements which often tripped up employers. Firstly, these remove (from 6 April 2023) the need to include details of restrictions on the shares under option in the EMI option agreement and the need for the employee to formally certify that they meet the EMI working time requirements - though the working time requirement itself (25 hours per week or 75% of total remunerative work with the EMI company's group) is not amended.

From 6 April 2024, the requirement to register EMI options within 92 days of grant will be replaced with a requirement to register these by 6 July after the end of the tax year.

All employee share plans consultation

Separately, the Government has announced that it is launching a call for evidence on the Share Incentive Plan and Save As You Earn all-employee share schemes, with the aim of considering opportunities to improve and simplify these share plans.

Migration

The Government announced two principal measures to tackle labour shortages from a migration perspective:

- Accepting the interim recommendations of the Migration Advisory Committee to initially add 5 new construction occupations to the Shortage Occupation List (SOL). This will take effect before the Summer recess. The Government has also committed to review the SOL more regularly so that the immigration system is quicker and more responsive to the needs of the economy.
- To simplify business visitor immigration rules by expanding the range of short-term business activities that can be carried out for periods of up to 6 months and reviewing permitted paid engagements. These changes will be implemented from Autumn 2023.

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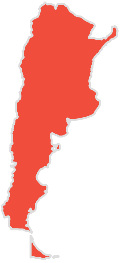
The Americas



Argentina

Employee social security contributions

From 1 December 2022 a new salary cap for employee social security contributions was established. Employee social security withholding applies to monthly gross compensation up to a compensation cap of AR$ 548,651.90 (except for June and December, where the cap is increased by 50% due to the payment of the '13th salary' (employees are entitled to an additional month's salary, payable in two semi-annual instalments).

Income tax withholding on salaries

The taxable compensation threshold for employee income tax withholding has been updated from 1 January 2023, with monthly gross salaries up to AR$ 404,000 being not taxable.

Remote work legislation

Law 27555 (14 August 2020), which law 27555 (14 August 2020), which established a Remote Work contract (workers´ rights, employer's obligations, written contract, working day, etc.) was suspended due to the public health emergency which was in force until 31 December 2022. The law would have re-applied from 1 January 2023, but the National Government has extended the public health emergency, so law 27555 continues to be suspended.

Day nursery benefit

In those premises where 100 or more employees work, in-house daycare facilities must be provided by employers for children between 45 days and 3 years of age where they are in the charge of the worker during the respective working day. Collective bargaining agreements may replace this obligation by the payment of a non-remunerative amount as reimbursement of child care expenses, provided duly documented.

Decree 144, published on 23 March 2022, established that this employer obligation will come into force from 23 March 2023.

Brazil

Brazil / UK double tax treaty

An international agreement between Brazil and the United Kingdom was signed on 29 November 2022. The agreement is in line with OECD guidelines and aims to ensure that individuals and companies operating in the two states are not doubly taxed.

The special secretary of the Brazilian Federal Revenue Service, Julio Cesar Vieira Gomes, said that the agreement aims to ‘increase trade and investment, attractiveness, competitiveness of Brazilian products, legal security and long-term stability’. The acting UK ambassador to Brazil, Melanie Hopkins, said that the agreement has 'the potential to substantially increase trade between our countries, as well as attract investment and strengthen trade relations between 'Brazil and the UK'.

'Brazilian investments in the UK amounted to US$5.2 billion in 2020, with Brazil being a destination for British investments of around US$25.2 billion,' the Brazilian Revenue said. 'In turn, the trade flow (sum of exports and imports) between the countries in the year 2021 reached US$5.6 billion'.

Social security contribution is levied on total remuneration

The Superior Court of Justice (SCJ), which is responsible for standardising the interpretation of federal law throughout in Brazil, has recently decided that amounts withheld from employees by companies as Social Security Contributions (INSS) and individual income Tax (IRPF), represent remuneration and therefore must be included in the basis for the calculation of social security contributions (employer social security contribution, RAT (Risk of Environmental Work), and contribution due to third parties – parafiscal contributions). On that basis, the understanding is that these contributions should be levied on the total remuneration paid to the workers and not on the net salary.

According to the reporting minister, the SCJ had already established a previous principle in the sense that the amounts withheld as INSS are part of the employee’s remuneration and therefore should be taxed, and that the same reasoning should be applied to the amounts withheld as IRPF.

A procedural appeal was filed by the taxpayer in relation to this understanding, but the panel, by an unanimous vote, confirmed the rapporteur’s understanding that the amounts withheld as INSS and IRPF should be taxed. Therefore, the calculation basis for social security contributions continues to be the employees’ gross remuneration and not their net salary.

Taxation of stock options

The Administrative Council of Tax Appeals (ACTA), the collegiate entity that judges disputes in tax matters in the administrative instance, has ruled out the collection of social security contributions on a stock option plan (SOP) of a particular company, which had been assessed by tax auditors due to the absence of social security contributions. In this decision, however, the understanding prevailed that the SOP was commercial in nature rather than remunerative. It is the first time that the ACTA’s Superior Chamber has decided in favour of the taxpayer in this scenario.

In the relevant case, the defence stated that the managers and strategic employees were granted the stock options (the exercise price of which was based on the average market price set on the grant date), without any guarantee of appreciation. Therefore, those who chose to exercise the option were taking on the risk of the operation. The acquisition of the right to exercise the option was conditional only on remaining with the company for five years. In addition, the defence argued that as there were no performance conditions it did not characterise the SOP as being related to employment.

Although this decision is an important precedent in favour of the taxpayer, it should be noted that there is no specific legislation on the subject in Brazil, and it is dependent upon an analysis of the relevant case law nad ACTA decisions, and will require consultation to verify whether a particular SOP will be taxed or not, depending on particular facts of the case.

Implementation of the 'More Women Employed' Program

Law 14,457, published on 22 September 2022, establishes new initiatives aimed at inserting and maintaining women in the Brazilian labour market. Among the main provisions, the following are to be noted in particular:

- The payment of daycare reimbursement.
- More flexible working hours.
- Support for returning to work after a maternity leave period.
- Specific determinations to the internal commission for the prevention of Accidents and harassment (CIPA) in the fight against harassment.

In relation to the payment of daycare reimbursement, the law stipulates that the benefit must be paid to an employee who has children up to five years and eleven months of age. This benefit must be implemented through an individual agreement, collective agreement or collective labour convention, which will stipulate the conditions, terms and amounts. It is also important to emphasise that the daycare reimbursement is not salary in nature and is not to be incorporated into the employee's remuneration.

In relation to teleworking, the legislation establishes that employers must give priority to employees with children, stepchildren, or children under their legal custody aged up to six years of age, and to employees with disabled children, stepchildren, or persons under their legal custody, with no age limit.

In addition, the law stipulates flexible working hours for male and female employees who have children, stepchildren, or people under their care who are up to six years old or disabled, in order to promote conciliation between work and parenthood.

The law also stipulates new determinations for the CIPA to include:

- Rules of conduct regarding sexual harassment and other forms of violence.
- Procedures for receiving and following up on complaints.
- orientation and training actions for employees at all hierarchical levels on issues related to violence, harassment, equality, and diversity, among others.

Canada

2023 Federal personal income tax rates

Federal income tax rates remain unchanged from 2022, however the basic income exemption and all tax brackets have increased. All income tax brackets for 2023 have been indexed to inflation at a rate of 6.3%. As from 2024, the basic tax exemption will also be indexed to inflation.

The currency reported in this section is in CAD:

Non-residents are eligible to claim the federal personal basic credit of $13,521 if all or substantially all (i.e. 90% or more) of the non-resident's worldwide income is included in his or her taxable income earned in Canada for the year. The non-resident row under the province column in the table below (combined federal and provincial maximums 2023) applies to income taxable in Canada that is not earned in a province or territory. Non-resident individuals who earn employment income and / or business income in a province or territory are subject to the rates in that province or territory.

	Federal only 2023
Bracket	Salary income tax rate
$0 - $15,000	0.00%
$15,001 - $53,359	15.00%
$53,340 - $106,717	20.50%
$106,718 - $165,430	26.00%
$165,431 - $235,675	29.32%
> $235,675	33.00%

The table above reflects the enhanced federal basic personal amount of $15,000 from $14,398 in 2022, which is only eligible for residents of Canada. In 2023, the additional enhanced benefit of $1,479 is gradually clawed back when taxable income exceeds $165,430 and eliminated when taxable income reaches $235,675. The marginal rates for taxable income between $165,430 and $235,675 reflects this claw-back.

Combined federal and provincial maximums 2023

Province	Bracket	Salary income tax rate
Alberta	> $341,502	48.00%
British Columbia	> $240,716	53.50%
Manitoba	> $235,675	50.40%
New Brunswick	> $235,675	52.50%
Newfoundland and Labrador	> $1,059,000	54.80%
Non-resident	> $235,675	48.84%
Northwest Territories	> $235,675	47.05%
Nova Scotia	> $235,675	54.00%
Nunavut	> $235,675	44.50%
Ontario	> $235,675	53.53%
Prince Edward Island	> $235,675	51.37%
Quebec	> $235,675	53.31%
Saskatchewan	> $235,675	47.50%
Yukon	> $500,000	48.00%

Employment insurance (EI) and Canada pension plan (CPP) increases

In 2023, the maximum pensionable earnings for the purposes of CPP is increasing from $64,900 to $66,600. The basic exemption remains at $3,500. The employer rate will continue to equal the employee rate which is increasing from 5.70% to 5.95%. The result is a maximum contribution of $3,754.45.

EI premiums are also increasing in 2023. The maximum annual insurable earnings are $61,500, up from $60,300 in 2022. For employees, the premium per $100 of insurable earnings is increasing from $1.58 to $1.63. For employers, it is $2.282 up from $2.212 per $100 in insurable earnings. Rates in quebec differ from the rest of Canada. In Quebec, employees will pay a premium per $100 of insurable earnings of $1.27 in 2023 and employers will pay $1.778.

Maximum EI contributions

		Federal		Quebec	
		2022	2023	2022	2023
Annual maximum contribution	Employee	$952.74	$1,002.45	$723.60	$781.05
	Employer	$1,333.84	$1,403.43	$1,013.04	$1,093.47

Work from home credits

The temporary flat rate method that began in 2020 has been available up to 2022. There has not been an announcement as of January 2023 to indicate whether or not the program will continue. In 2022, this option allowed for a deduction to be claimed on work from home expenses at a flat rate of $2 per day, worked from home, during the year up to a maximum of $500.

Canada employment amount

The Canada Employment Credit is a non-refundable tax credit equal to 15% of the lesser of $1,368 (up from $1,287 in 2022) and or the employee's employment income, indexed to inflation at 6.3% for 2023.

Labour mobility deduction (LMD)

For the 2022 and subsequent tax years, the budget introduced a new deduction called the labour mobility deduction for tradespeople. This deduction may be available to a tradesperson or apprentice and allows them to claim eligible temporary relocation expenses paid during the 2022 and subsequent tax years.

Colombia

Remote work

On 18 July 2022, the Ministry of Labor issued the Decree 1227 of 2022 which modifies the rules applicable to Remote Work. This regulation introduces new conditions for employers and employees to perform remote work properly. Some of the most relevant changes include as follows:

- An employment contract must contain a description of the equipment and software to be used and all the applicable restrictions and liabilities that may result from non-compliance.
- Employers must provide employees with appropriate work equipment for the performance of their activities and guaranteed information on the risks related to the use of IT.
- Remote work is permitted without the compliance of a visit to the workplace except when it is deemed necessary.
- Employers must include in the internal work policies or regulations the processes, conditions, and requirements related to the implementation of remote work.
- The parties may agree on the schedule and the way in which the activities will be performed, as long as it does not affect the employee's non-working time.

Guidelines regarding workplace violence and harassment

On 2 November 2022, the Ministry of Labour introduced new guidelines in relation to the prevention of cases of labour violence and harassment, under article 11 of law 1010 of 2006 (the Article).

Under the new parameters, the existing special legal protection will not only apply to employees who have reported labour harassment to the Working Environment Committee, but also to those who have served as witnesses in a labour harassment investigation and process.

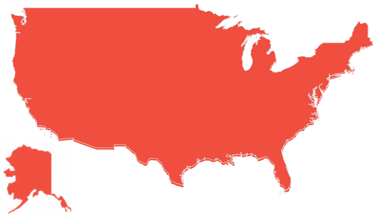
In order to prevent and mitigate violations of constitutional rights, Labour Inspectors will conduct inspections when they are aware of an employer who is allegedly violating the legal provisions of the Article. If such a violation is verified, the Labour Inspector may impose such fines as they deem appropriate.

Mexico

Vacation period reform

On 27 December 2022, a Decree reforming articles 76 and 78 of the Federal Labor Law, regarding vacations, was published in the Official Gazette of the Federation. As a consequence of this reform, as of 1 January 2023, all workers in Mexico will be entitled to receive, for their first year of service, at least twelve continuous working days for vacation, which will increase by two working days, up to twenty, for each subsequent year of service. As of the sixth year, the vacation period will increase by two days for every five years of service.

The vacation period, at the discretion of the worker, may be distributed in the manner and time required.



United States

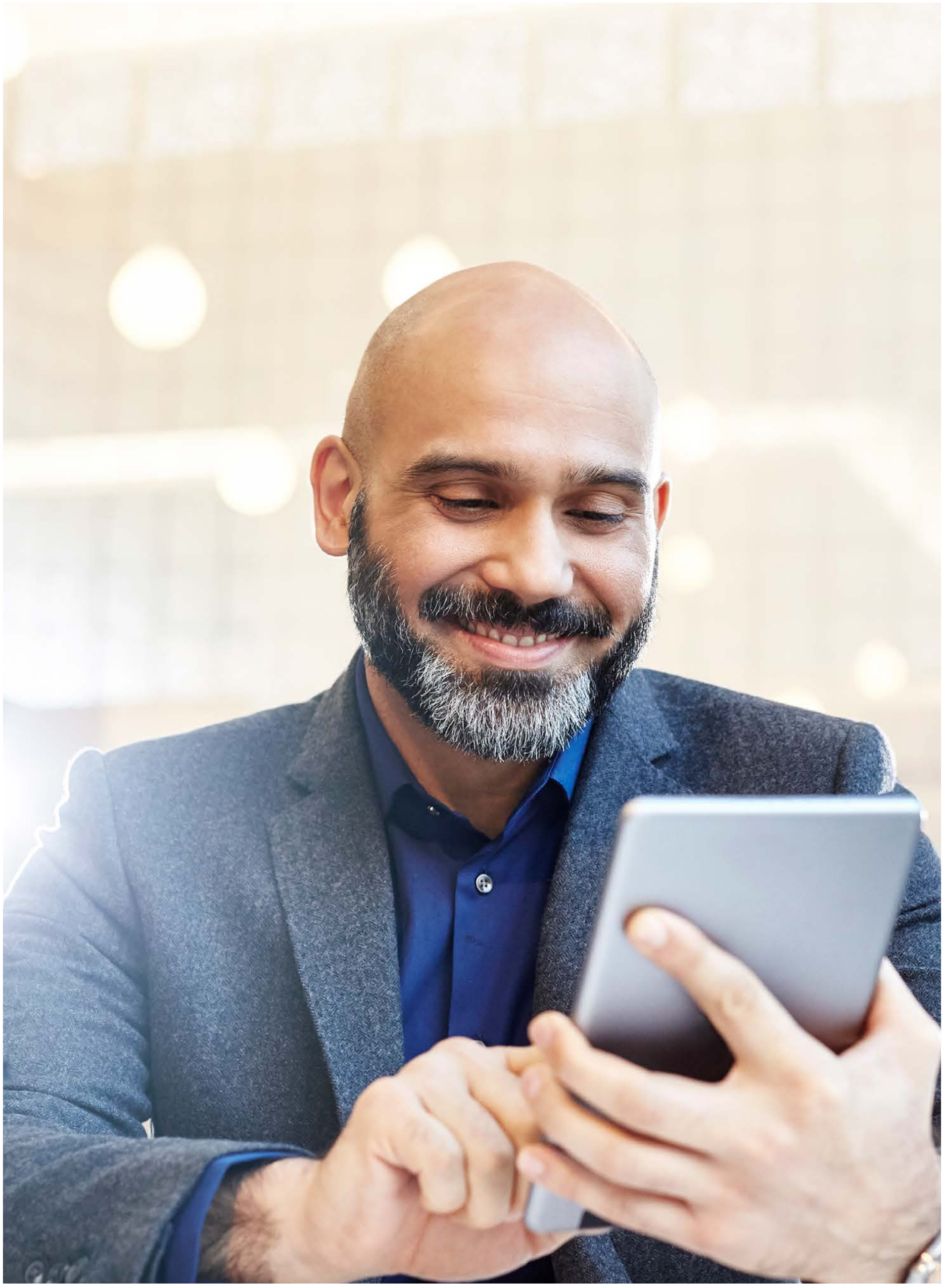
Equity compensation

The Inflation Reduction Act of 2022, enacted on 16 August 16 2022, imposesa non-deductible excise tax on stock repurchases. This generally applies in relation to a domestic corporation traded on an established securities market, although certain rules apply to foreign issuers.

The excise tax is equal to 1% of the fair market value of any stock repurchased on or after 1 January 2023 and during the covered corporation's tax year. Various exceptions apply, as well as an offset for stock issuances. One exception relates to stock contributed to an employer sponsored tax-qualified retirement plan. The offset to the repurchased stock to which the excise tax applies relates to stock issued, including stock issued under equity compensation plans to employees of the covered corporation and of certain affiliates of the covered corporation. This requires not just determinations of 'employees' of the relevant corporation but the proper timing of stock issuance under US Federal income tax timing that generally corresponds to payroll requirements. There are other nuances in relation to administration, withholding methodologies, and fair market value determinations that companies will need to address.

Retirement - tax qualified plans

A broad retirement Bill, the SECURE 2.0 Act of 2022, was passed as part of the Consolidated Appropriations Act 2023 enacted on 29 December 2022. SECURE Act 2.0 makes wide-ranging changes to US tax-qualified plans, with most changes applying to all plans but some rules applying only to new plans. The provisions have various effective dates. Employers need to consider which rules are mandatory, which are elective, and the specific effective dates, to determine how the legislation will impact their plans. Some of the mandatory changes impact payroll administration, processing and reporting, such as automatic deferrals of employee salary and, significantly, a requirement that certain salary deferrals can no longer be pre-tax. This is also the case with some elective provisions. Employers should begin addressing the related changes as part of implementation of the new law and expected guidance.



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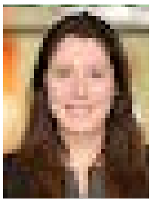

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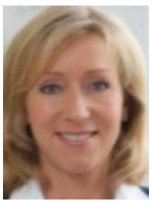

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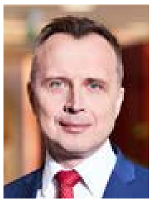

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