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Czech Republic:
New requirements for health insurance coverage of US employees

Overview

As of 1 May 2016, the extension of the US-Czech Totalization Agreement to the health insurance has come into effect. According to this amendment, the employees of US companies assigned by their US employer to the Czech Republic (including local employment with a branch or a subsidiary of the US employer) remain exempt from the Czech public health insurance system if their assignment does not exceed five years.

The US employees who obtained Certificates of Coverage from the US authorities are now being notified by the Czech Health Insurance Authorities that they are no longer entitled to any health care from the Czech public scheme. Since the health insurance coverage is a mandatory requirement for a valid stay in the Czech Republic (and for issuance of a visa or an Employee Card), these individuals should immediately arrange for private health insurance coverage in order to not face questions from the side of the authorities.

Further, such individuals should be deregistered with the state Health Insurance Authorities, they should return their current health insurance cards, and health insurance contributions should not be paid any longer via the payroll.

The extension of the Totalization Agreement does not cover US nationals living in the Czech Republic who are self-employed individuals or nonactive family members, they have not participated in the Czech public health insurance system previously, and their status remains unchanged.

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Deloitte's view

The list of private health insurance policies that fulfill the requirements for being approved for the Czech immigration purposes is limited. Deloitte immigration specialists should be consulted before conclusion of the insurance contract to ensure that the individual's title for the stay in the Czech Republic remains valid. We may also assist with communication with the authorities in this respect.

Exemption of the affected individuals from the public health care may bring savings in terms of employer and employee state health insurance contributions that are no longer due. Additional costs of the private health care plan should nevertheless be taken into account.

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Global Rewards Updates:
Sweden: Proposed changes to the taxation of share incentives

Background

The Swedish government previously appointed a committee to review the Swedish tax treatment of share incentive plans. The committee's proposals were published in March 2016 and are aimed at making Swedish tax rules simpler and more competitive in a global setting.

The committee's proposals include changes to the taxation of restricted shares and the introduction of a qualified regime for stock options. It is expected that the Swedish Government will shortly start a consultation process with key stakeholders on these proposals. If the proposals are adopted by the Government, it is expected that they would take effect from 1 January 2018, at the earliest.

Taxation of restricted shares

The committee has proposed amendments to the taxation of restricted shares which are subject to sale restrictions for a period of not more than two years.

Currently, restricted shares are normally taxable in Sweden when the restrictions lift. Under the proposed amendments, restricted shares which are subject to a sale restriction lasting less than two years would be taxable at grant. Any increase in the share price between the date of grant and the sale of the shares would therefore be subject to the more favourable capital gains tax regime.

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Where the sale restriction applies for a period of more than two years or where there is a risk of forfeiture (even if this is for a period of less than two years), the tax point for the restricted shares will continue to be the date when the restrictions lift or when there is no longer a risk of forfeiture.

For restricted shares which would be taxable at grant, the committee has recommended that the unrestricted value (i.e. the full market value) of the shares should be subject to tax at grant. This means that no discount would be available for the fact that the shares cannot be sold for a specified period.

Introduction of qualified stock options

The committee has also proposed the introduction of a tax advantaged "qualified stock option" plan.

Under the proposal, qualified stock options would not be subject to income tax at exercise. Instead, the underlying shares would be subject to the capital gains tax regime and would be taxed at sale (at a rate of 25% or 30%, rather than at the rate which applies to employment income, which can be up to approximately 55%).

In order for stock options to be treated as qualified, under the current proposals, the granting company would be required to meet a number of conditions, including:

- The number of employees in the company must not exceed 50;
- The company's net annual sales shall not exceed SEK 80 million (c. GBP 7m); and
- The company cannot have carried on business for more than seven years.

In addition to the above conditions, certain industries (finance, insurance, audit, law and tax consulting) would also be excluded from taking advantage of the qualified stock option regime under the current proposals.

Non-qualified stock options would continue to be subject to income tax at the date of exercise.

Deloitte's view

The proposals put forward by the committee have attracted significant criticism in the media, with several Swedish corporations having come out publicly against the proposed qualified stock option regime. The reaction has been that the conditions for the qualified stock option regime to apply are too narrow and not globally competitive, as most companies will not be able to offer the tax advantaged arrangements to attract talent to Sweden.

Given this criticism and the lack of political appetite for change, it is uncertain to what extent these changes will be implemented by the Swedish government.

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