In this issue:

France:
2018 tax proposals affecting employment announced

Overview

The highly-anticipated finance bill for 2018 presented by the French government on September 27, 2017 contains a number of employment-related measures affecting both individuals and companies. The bill will be debated in the parliament and senate before being adopted into law, which likely will take place at the end of 2017, subject to confirmation by the constitutional court. Certain measures could apply to income earned in 2017, while others may be applicable only to income earned in the future.

Highlights of the proposed measures include the following.

Measures affecting individuals

Single flat tax on investment income: Investment income (such as dividends, interest and capital gains) would be subject to a flat tax rate of 30%, including social surtaxes. Such income currently is subject to progressive rates of up to 45%, plus social surtaxes of 15.5% (*e.g.* CSG, CRDS), with deductions available depending on the type of income. Taxpayers would have the ability to opt out of the flat rate, notably, if their top marginal tax rate is lower than 30%.

The additional contribution for high-income individuals (3% or 4%, depending on the amount of income) would remain due. The mechanism for paying the new tax would be either withholding at source or current-year advance payments, depending on the source of the income.

Qualified free share plans: The gain on shares at vesting would remain taxable at progressive rates, subject to a 50% deduction for gain up to EUR 300,000.

Wealth tax: The current wealth tax would be replaced on January 1, 2018 by a tax applied only to real estate assets with a value over EUR 1.3 million. It should be noted that many individuals that become resident in France for the first time are exempt from wealth tax for five years.

Social charges: The CSG social surtax would be increased by 1.7 points, while employee social charges on employment income would decrease progressively by 4.15%.

Employment-related tax measures affecting companies

Social charges: Employer charges would be lowered by six points, up to a certain limit. As a reminder, employer social charges can amount to up to 50% of gross salary and cover numerous brackets, ceilings and contributions, ranging from health, to unemployment, to basic and complementary retirement.

Payroll tax: A payroll tax applies to corporations that are not subject to VAT, or where at least 90% of an entity's annual turnover was exempt from VAT in the previous year. Financial services companies typically are subject to the payroll tax. The tax is assessed on the gross salaries of employees at the following rates:

- 4.25% on salaries up to EUR 7,721;
- 8.5% on the portion of the salary between EUR 7,721 and EUR 15,417;
- 13.6% on the portion of the salary between EUR 15,417 and EUR 152,279; and
- 20% on gross salaries exceeding EUR 152,279.

The top payroll tax bracket (*i.e.* the 20% rate) would be abolished for salaries paid as from January 1, 2018. The marginal rate then would be 13.60% on salaries exceeding EUR 15,417.

Withholding tax for residents: The new withholding tax that will require employers to implement current-year income tax withholding on employee salaries was postponed earlier in the year, to 2019. No further detail is provided in the draft bill.

Deloitte's view

The proposed finance bill provides incentives for both individuals and companies, by lowering tax costs. It also provides measures that should benefit financial investments, and the financial services industry.

Employees and individuals residing in France with overseas investments will need to comply with filing obligations for withholding or current-year advance payments. Companies with internationally mobile employees will need to consider whether to provide support for meeting these obligations.

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Hong Kong:
Court rules in favor of same sex partner on dependent visa appeal

Overview

In a landmark decision issued on September 25, 2017, the Court of Appeal in Hong Kong ruled in favor of a same-sex partner, where the Immigration Department previously had rejected the partner's application for a dependent visa. The Court of Appeal overturned a lower court's decision issued in 2016 and held that the partner should be granted a dependent visa. The court directed the Department of Immigration and the individual to agree on and submit a proposed draft order by consent within 28 days for the court's consideration regarding the partner's residency status in Hong Kong.

Based on discussions with the Immigration Department, until further notice, the department does not intend to change the current practice under which same-sex partners are not eligible for dependent visas.

The crux of this case is not a challenge to Hong Kong's marriage rules, which only recognize marriage between a man and a woman – same-sex marriage is prohibited in the territory. Rather, the case is about discrimination on the basis of sexual orientation.

Background

QT, a British national, and her partner SS met in 2004, entered into a civil partnership in the UK in May 2011, and have been living as a family since that time.

SS applied for a Hong Kong employment visa in June 2011, with QT as her dependent. SS was granted the visa in August 2011, whilst QT's dependent visa application was withdrawn. QT and SS moved to Hong Kong in September 2011, where SS has been residing based on her employment visa. QT has been in Hong Kong as a visitor on the basis of her British passport.

QT applied for an employment visa in April 2013, which was rejected in August 2013. She applied for a dependent visa, with SS as her sponsor in January 2014; that visa was denied in June 2014 because QT is not considered a "spouse" under Hong Kong law (a heterosexual spouse in the same circumstances, however, would have been granted a dependent visa). QT applied for judicial review in October 2014, and this was dismissed in March 2016. QT then appealed to the Court of Appeal, which ruled in her favor.

Deloitte's view

If the Immigration Department does not appeal the case to the Court of Final Appeal, same-sex partners may be considered eligible for dependent visas (or similar types of visas), in particular, those in civil partnerships.

To date, the Department has been exercising its discretion on a case-by-case basis, granting at most six-month visitor visa extensions to eligible same-sex partners so they can remain in Hong Kong with their partners. Such visas are renewable. However, individuals with visitor visas may not work or study in Hong Kong, unless they obtain relevant visas, such as an employment visa or a student visa.

Dependent visa holders, on the other hand, generally are permitted to work and study in Hong Kong without having to obtain prior approval from the Immigration Department.

In light of possible changes (or no changes), mobility and talent management professionals should monitor developments closely.

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Singapore: Immigration update

Overview

The Ministry of Manpower (MOM) introduces a new Work Pass (WP) Card and SGWorkPass mobile app: The MOM introduced a new WP card with a QR code and a free mobile app called SGWorkPass effective from September 15, 2017. Employers and pass holders can check the status of WPs using their smartphones.

The new WP card will be issued in three phases:

- **Phase 1:** Effective from September 15, 2017
  - Work Permit (marine shipyard and construction sectors)
- **Phase 2:** Effective from January 2018
  - Work Permit (other sectors, excluding domestic sector)
- **Phase 3:** Effective from March 2018
  - Work Permit (domestic sector)
  - S-Pass
  - Employment Pass (EP)
  - Related Dependent Pass/Long-Term Visit Pass

Please note that existing WP cards will remain valid until WP holders receive their new WP cards when they renew their WPs.

With the SGWorkPass, stakeholders will have a more reliable and convenient way to check the status of WPs, as well as verify pass information, including the date of expiry and occupation title. This can be done by scanning the QR code printed on the new card. With this change, the MOM will discontinue printing detailed information such as the date of expiry on WP cards.

Applicants and WP holders without smartphones can check on the status of their passes using existing e-services on the MOM's website such as Work Pass Online (WPOL)/Employment Pass Online (EPOL) or the Check Work Pass Status application.

The SGWorkPass mobile app can be downloaded for free from Apple's App Store and Google Play. Further information is available at www.mom.gov.sg/sgworkpass.
URL: http://www.mom.gov.sg/sgworkpass

Changes to dependent privileges for WP holders effective from January 1, 2018

The MOM has reviewed the salary criteria for WP holders to qualify for dependent privileges to ensure that the WP holders are able to maintain their dependents in Singapore.

The changes are provided below:

Dependent Privileges	Existing Requirements (Pre-January 1, 2018)	Effective January 1, 2018
Dependent Pass (for spouses, as well as unmarried children below 21 years old)	WP holders need to meet a minimum fixed monthly salary of **S$5,000**	WP holders need to meet a minimum fixed monthly salary of **S$6,000**
Long-Term Visit Pass (for parents)	WP holders need to meet a minimum fixed monthly salary of **S$10,000**	WP holders need to meet a minimum fixed monthly salary of **S$12,000**

New Dependent Pass (DP) applications for spouses and children and Long-Term Visit Pass (LTVP) applications for parents received before January 1, 2018 will be assessed based on pre January 1, 2018 criteria.

Renewals for DPs/LTVPs approved or issued before January 1, 2018 will also be assessed based on pre January 1, 2018 criteria, provided the main pass holder remains with the same employer.

Deloitte's view

Mobile app: The MOM's introduction of a mobile app for applicants and WP holders to check on the status of their WPs is a new technology feature in addition to the current WPOL and EPOL platforms in view of the increase in the number of smartphones users. This mobile app will provide smartphone users with quick and convenient access to their WP information using the QR code printed on the new WP/EP/DP/LTVP card.

Salary review: The last review of salary criteria for WP holders to qualify for dependent privileges was done in 2015. With the rising cost of living in Singapore, the MOM decided an increase in the qualifying salary criteria was necessary to ensure that WP holders are able to provide for the maintenance and upkeep of their dependents in Singapore.

Deloitte's recommendation: The MOM aims to provide WP holders and applicants with convenient and quick access to information relating to their WPs via the mobile app. Nevertheless, as with all new features, the MOM may provide updates once the mobile app is formally implemented and tested for effectiveness.

Additionally, the MOM's recent changes to the qualifying salary criteria for WP holders requires employers to manage the salary range and expectations of foreign employees who plan to relocate to work in Singapore with their dependents.

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