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Belgium: Potential new tax reporting and withholding obligations for foreign equity plans

Potential new tax reporting and withholding obligations for foreign equity plans

Following previous coverage in Belgium tax alert, September 18, 2017, and Belgium tax alert, February 2, 2018, which dealt with the increased tax and social security audits of foreign long-term incentive plans, tax authorities are now contemplating broadening the scope of tax reporting and withholding obligations for equity incentive plans.

URL:
<https://www2.deloitte.com/content/dam/Deloitte/be/Documents/tax/TaxAlerts/IndividualTaxAlerts/Individual%20tax%20alert%20-%20Are%20your%20equity%20plans%20still%20audit%20proof%20-%2018%20Sept....pdf>

URL:
<https://www2.deloitte.com/content/dam/Deloitte/be/Documents/tax/TaxAlerts/IndividualTaxAlerts/Individual%20tax%20alert%20-%20LTI%20audits%20new%20developments%20-%202%20Feb%202018.pdf>

The draft Budgetary Agreement currently predicts there will be extended tax reporting and withholding obligations for Belgian subsidiaries that belong to foreign group companies in case the foreign group company grants equity incentives and/or other benefits-in-kind to individuals working in Belgium. The tax reporting and withholding

obligations would occur regardless of whether the related costs are charged to the Belgian subsidiary or the Belgian subsidiary simply acts as an intermediary in the grant process.

So far, this reporting obligation was only required when stock options (falling under the scope of the stock option law of March 26, 1999) were granted by a foreign entity to individuals working for a Belgian subsidiary. From January 2018, this obligation has been extended to the grant of free shares, shares at discounted prices, and any other benefit-in-kind.

The reporting obligation on the salary form would enter into force for equity incentives granted as of *January 1, 2018*. The withholding tax obligation would enter into force for equity incentives granted as of *January 1, 2019*.

Deloitte will provide updates once additional information becomes available.

The contacts listed below are readily available to help with any questions.

—	Sofie Van Breedam (Brussels) Partner Deloitte Belgium svanbreedam@deloitte.com	Geert Verberckt (Brussels) Senior Director Deloitte Belgium gverberckt@deloitte.com
	Nico Vanthuyne (Gent) Director Deloitte Belgium nvanthuyne@deloitte.com	

Korea: Proposed 2018 tax law revisions

Overview

On July 30, 2018, the Korean Ministry of Strategy and Finance released its proposed tax law revisions. The following is a selection of proposed income tax law revisions relevant to globally mobilized employees. The proposed tax law revisions are subject to approval by the Korean National Assembly, and the final version will be released around December 2018 or January 2019.

Extended application period of flat income tax rate for foreign employees

Under the Tax Incentives Limitation Law, foreigners are allowed to elect a flat income tax rate as an alternative to progressive income tax rates when calculating individual income tax liability on earned income. If elected, a flat tax rate of 19% (20.9% when including the local income tax surcharge) may be applied to gross earned income, with no deductions, income exclusions, or tax credits allowed, in lieu of the progressive individual income tax rates, which range from 6% to 42% (6.6% to 46.2%, respectively, when including the local income tax surcharge).

Application of the flat income tax rate election is limited to a maximum of five (5) years from the start date of Korean employment.

- The sunset period of December 31, 2018, has been extended to December 31, 2021.
- However, foreign employees who started working in Korea before January 1, 2014, will still be applied to the sunset period deadline of December 31, 2018.

Extension of applicable period for income tax exemption for foreign technician/engineer

Under the current legislation, foreign technicians and engineers working at a qualified Research & Development center of foreign invested corporations are eligible to apply for 50% of income tax exemption. A qualified R&D center should meet all of the following requirements:

1. Five (5) or more technicians/engineers;
2. Independent center;
3. More than KRW 100 million was invested in the facility; and
4. Foreign investment of 30% or more.

The application period for 50% of income tax exemption will be extended from two (2) years to five (5) years for services newly carried out after January 1, 2019 (with a sunset period deadline of December 31, 2021).

Development of taxation on housing rental income

From January 1, 2019, housing rental income of KRW 20 million or less (which is currently tax exempt) is subject to Korean income tax. In case of a separate taxation method, if an individual is registered for a housing rental business, he or she can apply the necessary expense rate of 70% (50% for the individual not registered). Also, a deduction amount of KRW 4 million will be applied for the individual who registered for the housing rental business (only KRW 2 million is applied for the individual not registered).

Tax reduction is also available for an individual who applied for separate taxation method from income generated after January 1, 2019. Tax reduction rates are as follows:

- Four (4) year rental agreement: 30%
- Eight (8) year rental agreement: 75%

Deloitte's view

- The application period for special tax treatment for foreign employees, such as flat-tax rate applications and income tax exemption for foreign technician/engineer, has been extended to privileged foreigners working in Korea. However, companies should carefully monitor to see if their employees fall into the category of who worked on or before January 1, 2014, as the sunset period ends at December 31, 2018, in order to plan ahead for the relevant cost increase for expatriates working in Korea.
- Korean rental income of KRW 20 million or less is now subject to Korean income tax. The Korean government has proposed several benefits, such as an increased necessary expense rate and tax reduction, to encourage individuals to register for a housing rental business.

— Min Soo Seo (Seoul)
Partner
Deloitte Korea
mse@deloitte.com

Yeo Sun Yoon (Seoul)
Senior Manager
Deloitte Korea
yeyoon@deloitte.com

Thailand: Highlights of tax measure supporting childbirth

Overview

The Ministry of Finance of Thailand has issued a new tax measure supporting childbirth in 2018 onward in the Royal Gazette under Ministerial Regulation No. 338, which is aimed at increasing the birth rate in the country.

The new tax scheme allows a taxpayer or spouse to claim deduction allowance for prenatal-related expenses and delivery costs incurred up to maximum of THB 60,000 per pregnancy. The actual expenses (prenatal-related expenses and delivery costs) can be incurred in two calendar tax years. The allowance deduction can be claimed in the concerned tax year, but cannot be more than THB 60,000 in total. The deduction is applicable for assessable income earned from January 1, 2018, onward.

Deloitte's view

The purpose of the new tax deduction allowance is to help address Thailand's low birth rate. In the near future, Thailand will become an aging society; as a result, the Ministry of Finance implemented more tax incentives to attract and encourage families to have additional children.

The following chart outlines changes that have been made to the child allowance deduction since 2017:

Tax year	Tax incentive
2017	Increase in the child deduction allowance from THB 15,000 per child, limited to three children, to THB 30,000 per child, with no limit on the number of biological children
2018	New deduction allowance for prenatal-related expenses and delivery costs incurred up to a maximum of THB 60,000 per pregnancy

Though the childbirth allowance deduction is applicable in the 2018 tax year, there are currently no clear guidelines on how to claim this deduction (i.e., documentation).

- Mark Kuratana (Bangkok)
Partner
Deloitte Thailand
mkuratana@deloitte.com
- Manjula Jarugumilli (Bangkok)
Director
Deloitte Thailand
mjarugumilli@deloitte.com
- Panee Yuktanandana (Bangkok)
Senior Manager
Deloitte Thailand
pyuktanandana@deloitte.com
- Darunee Suphanphong (Bangkok)
Senior Manager
Deloitte Thailand
dsuphanphong@deloitte.com
- Phanthip Thippawat (Bangkok)
Manager
Deloitte Thailand
pthippawat@deloitte.com

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