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Korea:
Mandatory enrollment to national health insurance for foreign nationals and overseas Koreans who resided in Korea for more than six months

Enrollment to the national health insurance in Korea is categorized into workplace-based enrollment and individually insured enrollment. Employees and employers who are working at a place of business, government agencies, or school systems in Korea are required to involuntarily join workplace-based national health insurance. The insurance contribution is calculated based on the individual’s wage and paid by the company (50% of the premium is borne by the employer and 50% of the premium is borne by the employee). Alternatively, individually insured enrollment is subject to individuals who are not covered under workplace-based enrollment. Unlike workplace-based health insurance, the individually insured health insurance is an insurance premium for locally insured people, and the contribution amount is computed based on their level of income, including earned income, property, and vehicles.

Year		2019
Workplace-based	Contribution rate %	6.46
Individually insured	Value per point (KRW)	189.70

Monthly Contribution = Contribution Score x Unit Price by Score (KRW 189.7)

Individuals who receive Class A earned income (employment income received from a domestic Korean employer) are required to enroll to workplace-based insurance. Individuals who receive Class B earned income (income received from foreign employer outside Korea for which the cost is not borne by a Korean entity) may be subject to individually insured insurance. However, foreign nationals and overseas Koreans who receive Class B earned income, but who are not subscribed to national health insurance and have resided in Korea more than six months, are now required to register for individually insured health insurance beginning 16 July 2019.

Enrollment procedure

- Who is obligated: Foreign nationals and overseas Koreans who are not subscribed to national health insurance, but have resided in Korea for more than six months as of 16 July 2019.
- Insurance premium: The insurance premium is calculated based on each household's income and property. If the calculated premium is below the average premium of all subscribers, the average premium of KRW 113,050 per month (in year 2019) will be imposed.
- Combined subscription of family as one household: An insurance premium may be paid as one household unit (including spouse and children under age 19 who are residing at the same address). In this case, the individual should prepare the below necessary documents and visit the nearest NHIS branch office of the residence's jurisdiction.
 - Documents to submit:
 - Alien registration card or domestic residence report; and
 - A document proving family relations or marriage – confirmation or Apostille required by the Ministry of Foreign Affairs of the respective country of citizenship (including Korean translation of the document); documents issued outside Korea are only acknowledged as valid for nine months from the issuance date.
- Payment date: 25 of the following month (monthly)

Current action required

If a foreign national or overseas Korean who is not covered under Korean national health insurance (i.e., someone who has workplace-based health insurance) and has resided more than six months in Korea, the NHIS will issue the notification and process the subscription; then, the NHIS sends the medical insurance card information and the related bill.

NHIS released the first notification to the respective foreigners and overseas Koreans in mid-May 2019. The second notification is expected to be released in mid-June 2019.

National health insurance may be exempt for foreigners and overseas Koreans if they are covered by some other health insurance that provides the equivalent or more coverage than Korean national health insurance. The foreigners and overseas Koreans may apply for exemption with proof of insurance by submitting documentation. The NHIS is currently working on the guideline for exemptions for foreigners and overseas Koreans who may be eligible to opt out from the national health insurance and will announce updates shortly with specific instructions.

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Global Rewards Updates: People's Republic of China: Guidance issued on taxation of income from stock incentive plans

Overview

The recent overhaul of China's individual income tax (IIT) system has been accompanied by clarifying guidance; in particular, guidance related to income from stock incentive plans. The new rules, which are effective from 1 January

2019, address how residents and nonresidents are taxed on stock incentive plan income, and – while the preferential taxing regime continues to apply to resident and nonresident employees – the tax calculations have changed. The reporting requirements for nondomiciled employees relating to stock incentive plans still require further guidance.

Stock incentive plan income

Where a stock incentive plan (e.g., stock options, restricted stock awards, or restricted stock units) is offered by a publicly traded company (in China or elsewhere) to employees of its member entities in China, the income derived by employees from such plan (e.g., in the case of a stock option, the excess of the fair market value of the underlying shares over the exercise price paid by the plan participant, or the “spread at exercise”) is generally categorized as employment income for IIT purposes. If an incentive plan is registered with the Chinese tax authorities and certain criteria are met, a preferential Chinese taxing regime applies to the income earned under that plan. Broadly speaking, the preferential treatment allows such share plan income to be taxed separately from other employment income, to potentially arrive at a lower marginal Chinese income tax rate.

The new IIT rules retain the preferential tax regime, though the tax calculations for residents and nonresidents have changed. These new rules apply based on tax residency status. With respect to individuals who do not habitually reside in China because of family or economic ties (i.e., nondomiciled individuals), those individuals will become Chinese tax residents if they stay in China for 183 days or more within a calendar year. These new methods to calculate Chinese income tax are applicable from 1 January 2019; the new method for residents is applicable through 31 December 2021, with further guidance effective 1 January 2022, to be announced.

Under the new IIT law, stock incentive plan income derived by residents is still taxed separately from other employment income (now referred to as “comprehensive” income) at progressive rates. Since the comprehensive income of Chinese tax residents is now subject to a set of tax brackets and rates on an annual basis, there is no need to divide the amount of stock incentive plan income by the number of relevant months. Nonresidents are also taxed separately applying progressive Chinese income tax rates on such income, but the amount received (e.g., the spread at exercise of a stock option) is divided by six to determine the applicable Chinese income tax rate, since the employment income of nonresidents is subject to a set of tax brackets and rates on a monthly basis.

Reporting obligations for nondomiciled employees

Under the new IIT law, when a foreign related party of a domestic employer (e.g., the US parent company offering employee share plan awards to employees of a Chinese employer) pays a nondomiciled employee China-source employment income, the employee may file a tax return in China and pay tax on his or her own, or request that the domestic employer file and pay tax on his or her behalf. If the employer does not file or pay tax, the employer still must report the income information to the Chinese tax authorities.

Since stock incentive plan income is treated as employment income, the new IIT rules also should apply to stock incentive income derived by nondomiciled employees (notably, many expatriates working in China). However, given the ambiguity surrounding these rules, the tax authorities’ interpretation and practice may vary until further guidance is issued.

Stock incentive plan registration requirements

As discussed above, a stock incentive plan offered by a publicly traded company must be registered with the tax authorities for the preferential tax treatment regime to be applied. This registration requirement was not revoked under the new IIT law, so it still applies. Furthermore, most local tax offices have established a more comprehensive internal management system to track the registration of plans and the relevant tax reporting records.

In addition to registering with the tax authorities, a stock incentive plan offered by a foreign publicly traded company also may need to be registered with the State Administration of Foreign Exchange (SAFE) and its local offices, requiring continuing information reporting requirements. If such a plan is not registered with the SAFE, relevant foreign exchange amounts may be unable to be remitted or received as required by the plan. The SAFE has been increasing its enforcement of rules and regulations applicable to stock incentive plans as evidenced by the following:

- The SAFE and its local offices have enhanced their review of companies' prior years to identify noncompliance with the foreign exchange rules with respect to stock incentive plans. Penalties have been imposed by local SAFE offices due to historical noncompliance.
- Companies' ongoing reporting obligations have been under strict scrutiny. For example, the Shanghai SAFE requires the relevant companies to annually disclose the information of foreign exchange fund flows of stock incentive plans (e.g., the amount of inbound remittance), and then will cross check the information with information obtained from local banks. Any discrepancy may trigger further inquiries.
- The timely repatriation of sales proceeds also is under review. Some local SAFE offices recently have required Chinese groups listed overseas through special purpose vehicles to repatriate sales proceeds of stock incentive awards to China within six months from the time the stocks were sold.

Deloitte's view

Under the new IIT law, stock incentive plan income will continue to be taxed pursuant to a preferential taxing method; therefore, stock incentive plans remain a tax efficient vehicle in China to attract and retain talent. However, since the taxing methods for residents and nonresidents differ, it is important to correctly assess the resident status of each employee, especially foreign employees working in China.

Both tax and foreign exchange authorities have enhanced their review of compliance issues relating to stock incentive plans. Therefore, companies with such plans should review their compliance procedures and take proactive steps to mitigate any noncompliance exposure.

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