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# Global InSight

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## Hungary: Implementation of combined work and residence permit

### Overview

Hungarian Parliament has implemented the EU directive to adopt a single permit system for third-country national workers. The new immigration law came into effect on January 1, 2014.

### Single permit

The single permit will operate as a combined work and residence permit. The single-permit holders will be authorized to free movement within the Schengen region, although they are allowed to work at a location and for the job and employer specified in their permit.

### Single application process

Third-country nationals wishing to come to Hungary to work would only have to initiate one procedure. They should submit their application to the competent regional directorate of the Office of Immigration and Nationality or at a Hungarian Consulate for visa nationals. The conditions the applicant must fulfill in order to be allowed to work and live in Hungary will remain unchanged.

### Deloitte’s view

Combined application procedure may take longer processing time as it may reach up to three months. Accordingly, companies should take this into consideration when managing the movement of foreign employees or starting renewal of current work and residence permits in Hungary.

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# Taiwan:
# Placement of restriction to exit

## Overview

According to Article 24 of the Tax Collection Act, an individual residing in Taiwan may be prevented from exiting Taiwan if failing to pay the single or combined amount of tax due plus fine if the amount is over NT$1 million by the due date or the amount is over NT$1.5 million before the conclusion of procedures for administrative remedies. The Ministry of Finance (MOF) may also request the National Immigration Agency of the Ministry of Interior to restrict the individual from exiting Taiwan.

The period of restriction from exiting Taiwan should not exceed 5 years from the date of enforcement. The five-year period is for each tax arrears that has led to the imposition of the exit restriction, rather than per tax items or by annual basis.

If the taxpayer falls under any of the following conditions, MOF should request the National Immigration Agency to lift such restriction:

1. Restriction from exiting Taiwan has passed the five-year period.
2. The taxpayer has paid the tax due and fine, or has furnished property equivalent to the tax payable as security to the tax authorities.
3. The administrative remedy and penalty procedures have been concluded, and the combined amount of the tax due and fine is under the prescribed amount to issue an exit restriction.
4. The tax due has been allocated in accordance with the settlement or bankruptcy procedures of the Bankruptcy Law.

To be consistent with legislative intent, MOF has also issued a tax ruling on September 12, 2013, where the taxpayer in default of tax payments to be restricted from exiting Taiwan, in the case that the tax authority changes the amount of the tax arrears whereby it is less than the prescribed amount for exit restriction, the restriction should be lifted. However, if the taxpayer has other tax arrears that is not yet sanctioned by exit restriction, such sanction should be enforced only when the aggregated amount of the tax arrears is over the prescribed amount for the imposition of exit restriction, and the original tax arrears, which led to the initial imposition of exit restriction, should be excluded.

## Example

If Mr. X had tax arrears of NT$1.2 million, MOF thus requested to restrict him from leaving Taiwan on May 31, 2012. Afterwards, the tax authority changed the amount of the tax arrears from NT$1.2 million to NT$0.8 million and requested to lift the exit restriction on May 30, 2013. If Mr. X later has another tax arrears in the amount NT$0.5 million, the previous tax arrears of NT$0.8 million need not be aggregated and the tax authority should wait to request to restrict Mr. X from leaving Taiwan until he has the other tax arrears, plus NT$0.5 million, which is over the prescribed amount for the imposition of an exit restriction.

## Deloitte's view

- Individuals who have tax arrears should be well aware of such regulation. If they fall under the above-mentioned circumstances, they may be restricted from leaving Taiwan.
- To prevent from being restricted from leaving Taiwan, if the clients have further issues or concerns with the tax arrears, it is suggested that they pay the tax due and fine or furnish property equivalent to the tax payable as security to the tax authorities first and then file an appeal through the administrative remedy and penalty procedures.

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## Thailand:
## 2013 personal income tax update

Overview

On 23 December Royal Decree No. 575 relating to the new 2013 Thailand Personal Income Tax ("PIT") rates was formally approved. The new 2013 Thailand personal income tax rate applies to the filing of the 2013 and 2014 Thailand personal income tax returns. The highest PIT rate is now at 35%.

The new tax rates have seen the introduction of the 5%, 15%, 25% and 35% tax bracket and the expansion of the four tier tax bracket to a seven tier tax bracket. It is expected that the introduction of the 15% and 25% rates are intended to offer greater tax relief to middle income taxpayers. High income taxpayers are also seen as main beneficiaries from the revised rates.

Current 2013 Thai personal income tax rates:

| Net Income (THB) | Range of income (THB) | Rates | |
|---|---|---|---|
| | | Previous – No longer applicable | New |
| 0-150,000 | 150,000 | Exempt | Exempt |
| 150,001-300,000 | 150,000 | 10% | 5% |
| 300,001-500,000 | 200,000 | 10% | 10% |
| 500,001-750,000 | 250,000 | 20% | 15% |
| 750,001-1,000,000 | 250,000 | 20% | 20% |
| 1,000,001-2,000,000 | 1,000,000 | 30% | 25% |
| 2,000,001-4,000,000 | 2,000,000 | 30% | 30% |
| 4,000,001 upwards | - | 37% | 35% |

Deloitte view

Given that the revised rates were enacted into law relatively late in the year, it is expected that there will be a larger amount of 2013 Annual PIT returns with refunds this year since the adjustment factoring in the new rates would not have been made for a number of taxpayers or in some cases the adjustment in the month of December would not have been sufficient to account for the amount of PIT paid up to that point.

If an individual is still expected to have a refund when filing the annual 2013 Thai personal income tax return, the applicable supporting documents should be prepared to minimize any delay in obtaining the refund.

The approval of the revised rates is a step in the right direction in making Thailand more competitive and more in line with the other countries in the region.


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## Global Rewards Updates:
## Greece: Impact of new income tax code on incentive plans

### Background

The Greek Parliament approved a tax bill in July 2013, which introduced the new Income Tax Code (ITC) effective from 1 January 2014.

The new Greek ITC makes a number of changes to the tax rules affecting companies and individuals. As part of this, it has been confirmed that share based awards received by employees constitute a taxable benefit in kind and will be taxed as normal employment income.

### Taxable income from share plans

The new ITC confirms our previous understanding on the calculation of the taxable benefit for share plans, as follows:

### Share options

The taxable value for share options will be the closing price of the shares on the relevant stock exchange when the shares are delivered to the participant following exercise, less any exercise price paid.

### Share awards

The taxable value for share awards will be the closing price of the share awards on the relevant stock exchange when the shares are delivered to the participant following vesting.

### Employer withholding and reporting obligations

Although the new ITC provides that a withholding obligation will arise for the local employer on any taxable employment income, the withholding obligation is not applicable until 1 January 2015 for share-settled incentive plans.

These awards will still be taxable for 2014, but no withholding obligation will exist for the local employer (even where there is a recharge of costs to the local employer).

Although there is no withholding obligation for the local employer in respect of share-based awards in 2014, the local employer will still be required to report the amounts received by their employees in the PAYE tax returns and employee salary certificates.

Where awards are settled in cash, the withholding obligation is not postponed until 1 January 2015 and the local employer is required to withhold the tax payable on the cash amount delivered to employees.

### Social security

The Social Security Fund (IKA) has not specifically confirmed whether social security contributions should be paid on share-settled awards. However, the general rule provides that social security contributions are due on any type of employment income.

Therefore, share-settled awards will generally be subject to social security contributions. In order to gain certainty on the social security position for share-settled awards, companies may seek a ruling from the IKA.


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Where awards are settled in cash, social security contributions should be payable on the cash amount delivered to employees.

## Action

Companies should ensure that they currently have the relevant procedures in place to fulfil any withholding or reporting obligations due on cash-settled awards.

From 1 January 2015, a withholding obligation will arise on any share-settled awards delivered to employees. However, in the meantime, companies should ensure that they continue to have the relevant procedures in place to fulfil their reporting obligations.

Companies should consider giving their employees guidance on their personal reporting obligations for the 2014 tax year. This may include specific guidance (following this change in position) or an update of the current employee communications to make employees aware of their compliance responsibilities.

Companies operating share-based incentive plans in Greece may want to consider seeking a ruling from the IKA in order to gain certainty on whether social security is due.


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