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Sweden:
The Social Security Agreement between Sweden and India will enter into force on the first of August 2014

Overview

On 14 December 2012, we reported that Sweden and India signed a Social security agreement that will simplify the posting of employees between India and Sweden. This agreement will enter into force on 1 August 2014.

Key benefits of the agreement

The Social security agreement governs the Indian and Swedish welfare system for age, survivors', and disability pension (pension rights). The agreement determines the applicable laws on coverage in India or Sweden in regards to the pension rights. As a main rule, an employee is covered by the pension scheme in the country where the work is performed.

The Social security agreement governs situations where Swedish individuals covered by the Swedish laws are posted to work in India and where Indian individuals covered by the Indian laws are posted to work in Sweden. Under the Social security agreement, such posted employees should in certain cases remain in the social security pension scheme in their home country although work is carried out in the other country. The Social security agreement also ensures that an employee continuously accrues pension rights while working outside of the home country and pension-related social security charges do not have to be paid in both countries.

The charges for employees who remain in the Swedish social security scheme while posted to work in India for more than one year will be at a rate of 13.48 percent. Indian employers without a permanent establishment in Sweden who send employees covered by the Indian social security system for a period exceeding one year will have to pay employee charges at a rate of 8.06 percent.

According to the Social security agreement, an employee who is posted by the employer in the home country to work in the other contracting state shall continue to be covered by the social security in the home country provided that the anticipated duration of the work does not exceed two years. Subject to an agreement between the contracting states, the employee shall remain in the home country social security system for another two years. Hence, the employee can continuously, for a period of up to four years, be covered by the social security system of the home country and will therefore continue earning pension rights and pay contributions in the home country. Since the Social security agreement only covers pension rights, social security contributions in regards to other social security benefits may have to be paid and reported in the country where the work is carried out.

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According to Article 21 Section 2 of the transitional provisions, the agreement should also apply to postings that have occurred prior to the entry into force. However, the agreement is not likely to apply to events that occurred before 1 August 2013.

There are no application procedures established yet, but employees covered by the Swedish social security systems could use the application form for postings within the EU/ESS when applying to remain in the Swedish social security scheme while being posted to India.

Deloitte's view

More than a hundred Swedish companies are established in India and the establishments are expected to increase. A large number of Swedish persons currently reside in India. Indian persons residing in Sweden working primarily in the IT and technology sectors constitute a large group of people obtaining work- and-residence permits in Sweden.

The harmonization of social security coverage between Sweden and India is of great importance for companies in Sweden and for companies planning to enter into the Indian market. Moreover, the Social security agreement between India and Sweden can result in cost savings for Swedish and Indian employers. It also simplifies handling for Swedish employers when hiring Indian workers and also for companies that assign Swedish persons to work in India. The Social security agreement between Sweden and India will enter into force on the first of August 2014.

Sweden has just recently signed a similar Social security agreement with South Korea and is currently in the process of negotiating an agreement with Japan.

Sweden has already entered into similar Social security agreements with several countries (Bosnia-Herzegovina, Chile, Israel, Canada, Cape Verde, Croatia, Morocco, Serbia, Turkey, and the United States).

— Olle Kinnman (Stockholm)
Partner
Deloitte Sweden
+46 (75) 246 32 30
okinnman@deloitte.se

Sevim Güven (Stockholm)
Senior Manager
Deloitte Sweden
+46 (75) 246 24 66
sguven@deloitte.se

Evelina Kerr (Stockholm)
Senior Consultant
Deloitte Sweden
+46 (75) 246 23 70
ekerr@deloitte.se

Johan Fagerlund (Stockholm)
Associate
Deloitte Sweden
+46 (75) 246 32 19
jfagerlund@deloitte.se

Taiwan:
Deductions and Tax Brackets for 2015 Individual Income Tax

Overview

In order to mitigate the tax burden of low and middle classes, the Ministry of Finance (MOF) has adjusted the amounts for standard deduction and special deductions accordingly. Besides, in order to have high-income individuals to feedback more to the society, the MOF raises one more bracket in which the net taxable income over NT$10 million will be taxed at 45%. Based on the above, the deductions and tax bracket will be changed starting from year 2015.

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Standard and special deductions

Standard Deduction	Single	90,000
	Married Couple	180,000
Special Deduction for Salary or Wages (Note)		128,000 (per earner)
Special Deduction for Disability		128,000 (per person)
Note: A deduction amount equivalent to the full amount of salary can only be claimed if the total amount is less than the maximum deductible amount.		

Progressive tax rates for a resident individual

Net Taxable Income		Tax Rate	Progressive Difference (NT Dollar)
From	To		
0	520,000	5%	0
520,001	1,170,000	12%	36,400
1,170,001	2,350,000	20%	130,000
2,350,001	4,400,000	30%	365,000
4,400,001	10,000,000	40%	805,000
10,000,001	Up	45%	1,305,000

Deloitte's view

- The above amendment and adjustments are made aiming to lower the tax burden of resident individuals in Taiwan. The nonresident individuals will not be benefited or impacted from the above changes.
- High-income expatriates, especially with the income exceeding NT$10 million, will have higher tax burden because of the law changes. Therefore, they may consider controlling their length of stay in Taiwan to be less than 183 days in a calendar year so that they can apply for the flat tax rate at 18% for their wage/retirement income and 20% for their income other than wage sourced from Taiwan. Also, having the foreign employer to share the payroll cost may be considered to lower the expatriates' Taiwan tax burden. The offshore salary payment can be pro rated to be considered Taiwan source income based on the ratio of the number of days the expatriates are physically present in Taiwan over the year if they stay in Taiwan for 299 days or less in a calendar year.

— Cheli Liaw (Taipei)
Partner
Deloitte Taiwan
+886 (2) 2545 9988 x3943
cheliliaw@deloitte.com.tw

United States:
Individual Taxpayer Identification Numbers to Expire After Five-Years of Non-Use

Overview

On June 30, 2014, the Internal Revenue Service issued a new policy on the expiration of Individual Taxpayer Identification Numbers (ITINs). Under the new policy, all ITINs will be subject to expiration if not used on a tax return for five consecutive years. The IRS will not begin to deactivate ITINs under this new policy until 2016.

Background

ITINs are issued by the U.S. government to people who are not eligible to obtain a Social Security Number (SSN). For many foreign nationals who come to the U.S. to work, this may include spouses or dependents who are not authorized to work in the U.S. and therefore ineligible for a SSN. Nevertheless, to report these spouses and dependents on a tax return and claim

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a tax deduction for them, a taxpayer identification number is required. The ITIN is the number that is issued for these individuals.

Under the previous policy announced on November 29, 2012, the IRS indicated that all new ITINs issued after January 1, 2013 would be subject to expiration after five years regardless of use. Taxpayers who continued to need ITINs would have to reapply after the five-year expiration period. ITINs issued prior to January 1, 2013 were not subject to the five year expiration period, but the IRS reserved the right to revisit the expiration policy with respect to these ITINs.

All ITINs Subject to Expiration Policy

Under the new policy, all ITINs, and not only ITINs issued after January 1, 2013, are potentially subject to expiration. However, this will only occur if the ITIN is not utilized on a US tax return for five consecutive years. If a taxpayer continues to file a U.S. tax return and uses the ITIN assigned to that person or dependent, the ITIN will remain in effect for as long as it is used.

To allow for a transition period, the IRS announced that the deactivation of ITINs under the new policy will not begin until 2016. Taxpayers whose ITINs have been deactivated will have to reapply using Form W-7 and follow the current documentation process.

Deloitte's view

This new policy provides relief to taxpayers who require the use of ITINs for periods longer than five years. Rather than facing mandatory expiration of ITINs and reapplication, these taxpayers' ITINs will remain valid as long as they continue to file US tax returns. It also creates consistency for all ITIN holders instead of creating a different process for those who were issued an ITIN prior to or after January 1, 2013.

The new policy will cause additional burden for those taxpayers with ITINs issued prior to January 1, 2013 who may not be currently filing returns. If these taxpayers do not utilize their ITINs within the five years prior to 2016, they will face ITIN expiration and be required to obtain new ITINs when next needed.

— Kent Klaus (Chicago)
Partner
Deloitte Tax LLP
+1 (312) 486 2571
kklaus@deloitte.com

Michael Loskove (Chicago)
Director
Deloitte Tax LLP
+1 (312) 486 2026
mloskove@deloitte.com

Greg LaBorde (New Orleans)
Senior Manager
Deloitte Tax LLP
+1 (504) 561 7241
glaborde@deloitte.com

George Fernandez (Los Angeles)
Director
Deloitte Tax LLP
+1 (213) 996 5912
gfernandez@deloitte.com

Maura Howerton (Minneapolis)
Director
Deloitte Tax LLP
+1 (612) 397 4304
mahowerton@deloitte.com

Patricia Kiziuk (New York)
Director
Deloitte Tax LLP
+1 (212) 436 5677
pakiziuk@deloitte.com

Global Rewards Updates:
United Kingdom: Taxation of restricted shares for internationally mobile employees

Background

As discussed in the Global Rewards Update of April 2014, the UK 2014 Finance Bill has proposed significant amendments to the taxation of share awards for internationally mobile employees. Subject to enactment of the Finance Bill, the new rules

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will apply to all share vestings and option exercises occurring on or after 6 April 2015 (irrespective of the date on which the award was granted).
URL: http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-gru-unitedkingdom-april-2014.pdf?id=us:em:na:gis:eng:tax:071814

The Government has now proposed an amendment to the legislation that would apply to restricted share awards (broadly shares awarded to an employee where the shares are subject to a risk of forfeiture or a restriction on sale).

UK taxation of restricted shares

Under current legislation, where restricted shares are awarded to an employee who is not resident in the UK (and assuming the award is not made in relation to/contemplation of UK duties), there will be no UK income tax charge arising in respect of the award even if the employee has become UK tax resident at the point when the shares subsequently vest.

Under the draft legislation, awards which vest after 6 April 2015 would now be subject to UK income tax at the point of vesting. The amount liable to UK income tax would generally be based on the market value of the shares at vesting, as apportioned for UK workdays over the grant to vest period.

Where the share award is subject to income tax at the time of grant in the 'home' country, the tax paid in the home location at grant could be deducted from the UK income tax payable at vesting.

Proposed change

The effect of the Government's latest proposed amendment is that where an individual is subject to income tax in the home location at grant on the full value (the "unrestricted market value") of the shares, there will be no UK income tax due at vesting. An example would be where a US employee makes a s.83(b) election (broadly equivalent to a UK s.431 election).

If the participant was not subject to overseas tax at grant, or was only subject to overseas tax on a proportion of the value of the shares at grant and subsequently comes to the UK, UK income tax would still arise at vesting.

Deloitte view

This latest amendment to the taxation of restricted stock for internationally mobile employees will be a welcome development for companies and employees moving to the UK from countries that tax restricted shares at grant.

Without this change, the employee could have claimed a foreign tax credit in the UK at the time of vesting for any tax paid overseas at grant in relation to their award. However, even if the employee paid overseas income tax on the full value of the shares at grant, a UK tax charge could still have arisen at vesting if there had been share price growth during the vesting period.

Companies must still ensure that they are able to meet their UK withholding obligations where there is a UK tax liability at vesting. This will be relevant in relation to participants moving to the UK from countries which do not tax restricted stock at grant or tax a discounted value at grant.

— Sean Trotman (New York)
Partner
Deloitte Tax LLP
+1 (212) 436 2211
strotman@deloitte.com

Rive Rutke (Chicago)
Director
Deloitte Tax LLP
+1 (312) 486 3483
rrutke@deloitte.com

Michael Prewitt (Houston)
Partner
Deloitte Tax LLP
+1 (713) 982 4273
mprewitt@deloitte.com

Kate Forsyth (Los Angeles)
Senior Manager
Deloitte Tax LLP
+1 (213) 593 4279
kforsyth@deloitte.com

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contact Deloitte Touche Tohmatsu Limited.

Mark I. Miller (San Jose)
Senior Manager
Deloitte Tax LLP
+1 (408) 704 4308
mamiller@deloitte.com

Peter Simeonidis (New York)
Senior Manager
Deloitte Tax LLP
+1 (212) 436 3092
psimeonidis@deloitte.com

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