

# #GlobalBenefitsBulletin Highlights

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## RESPOND



**Cambodia:** FBT exemption expansion.



**Lithuania:** Labour Code amendments passed.



**Palestine:** Social Security law revised.

## WATCH



**Africa:** CIMA ban on foreign reinsurance.



**Germany:** Second pillar reform plan posted.



**Timor-Leste:** Parliament approves social security law

## NOTE



**Germany:** Temporary worker law advances.



**Turkey:** Guidance on mandatory pension system.

# Key Updates

## Africa

### WATCH

CIMA ban on foreign reinsurance.



Risk

Conference Interafricaine des Marches d'Assurances is an entity harmonizing regulation and oversight of the insurance sector in 15 African nations. A recent amendment to CIMA's insurance code bans placement of several classes of insurance with foreign reinsurers. These include health insurance, life insurance, accident insurance, and insurance linked to investment funds. In addition, the 75% limit on reinsurance risk placed with foreign insurers is now cut to 50%. This amendment went into effect on June 1, 2016.

## Cambodia

### RESPOND

FBT exemption expansion.



Talent

The Finance Ministry's Circular 011 (unofficial translation) extends a set of fringe benefit tax exemptions previously earmarked for factory workers to all private-sector employees. Among the exemptions:

- Group health insurance and life insurance premiums qualify, provided that the schemes cover all employees.
- Severance pay and termination indemnity are tax-exempt up to the thresholds set out in the Labour Law.
- Performance-based bonuses and seniority bonuses are exempt provided there is detailed disclosure to the tax department.
- Employer National Social Security Fund or Social Welfare funds contributions up to the legal limit are not subject to FBT.
- Qualifying child care subsidies include child allowances and day care center expenses.
- Employer subsidy of commuting costs and employer-paid meals are exempt but the meal allowances, including those earned for overtime work, are spared the FBT only if provided equally for all workers.

Guidance on the circular superseded by Circular No. 11 had stipulated that these FBT exemptions applied only to Cambodian nationals. As the new circular makes no mention of this restriction, analysts recommend continuing to comply with it. The order went into effect on the day it was released, October 6, 2016.

## Germany

### WATCH

Second pillar reform plan posted.



Retirement

The Social Ministry has posted draft legislation on sector-based defined contribution schemes with "more flexible guarantees." This had been previewed as inspired by the "defined ambition" model, but the draft now characterizes the scheme as "pure defined contribution." The plans would be voluntary, but auto-enrollment with an opt-out provision could be legally introduced under collective bargaining provided the plan is adequately communicated and the employee has at least a one-month window for opting out. The tax exemption on employer contributions would rise from 4% to 7%. All contributions would vest immediately and the benefit would have to be taken as a lifetime annuity. A stakeholder consultation will conclude on November 24 and the law is expected to enter into force on January 1, 2018.

## Germany

### NOTE

Temporary worker law advances.



Talent

The lower house of Parliament (Bundestag) has approved in the third reading the Draft Law amending the Employment Act, which will regulate temporary work contracts (GLU June 2016). The key provisions capping a fixed-term contract at 18 months (unless extended in collective bargaining) and entitling temps to equal pay after nine months have survived intact. Evidently, the sole major change was pushing the implementation date back from January 1, 2017 to April 1, 2017. The Left Party suggested that the law didn't go far enough and should extend the 18-month fixed-term contract limit to the job itself so it doesn't stay slotted for a rotating cast of fixed-term staff indefinitely. The upper house (Bundesrat) vote set for later this month is depicted as a final formality.

Labour Code amendments passed.



Talent

After a few false starts, Parliament overwhelmingly adopted some key amendments to the new Labour Code:

- Zero-hour work contracts will be abolished.
- All else being equal, labour disputes will be decided in favor of the employee.
- When employee termination is attributed to sickness, downtime, caring for a family member, incapacity to work, pensionable age, or unpaid wage, severance pay is doubled to two months' wages unless the person has been employed for less than a year.
- Notice periods are tripled to three months for parents of children under age 14 unless they're employed less than a year, in which case it's six weeks.
- The working day preceding a public holiday is shortened by one hour for full-time employees.
- Annual leave entitlement is extended for various populations and further provisions on additional leave for long service or hazardous working conditions will be set by the government rather than by collective bargaining.

The package was to have gone into effect on January 1, 2017, but the chairman of the party that dominated last month's parliamentary elections said that he has reached an agreement in principle with social partners to delay entry into force until July 1 in order to add further amendments.

## Palestine

### RESPOND

Social Security law revised.



Retirement

The President has ratified a revision of the new Social Security Act. There were some notable changes:

- The contribution for old age, disability, and survivor benefits shifted from employee 7.5%/employer 8.5% to 7%/9%.
- The minimum pension rose from 50% of the minimum wage to 75%.
- The coefficient for the pension benefit formula increased from 1.7% to 2%.
- The government is now expressly responsible for the Social Security Fund's commitments.
- The contribution period before one is entitled to maternity leave is halved to three months.
- A man may now inherit his wife's pension.

A tripartite Social Security Authority board of directors will now be appointed.

## Timor-Leste

### WATCH

Parliament approves social security law.



Retirement

Parliament has passed legislation on establishing a new contributory social security system. All workers will participate in a mandatory social security program with funding divided between workers and employers. The scope of coverage will include old age pensions, disability, and death benefits as well as maternity, paternity, and adoption leave. A committee review will precede formal final passage in Parliament.

Guidance on mandatory pension system.



Retirement


The Under Secretariat of the Treasury has released Automatic Participation System Guide for Employers and an FAQ to help employers comply with the mandatory individual pension system under *Law No. 6740*, which comes into force on January 1, 2017. The documents clarify some minor issues and enumerates employer obligations under this system:

- Employers must select a pension company, factoring in specific criteria including service quality and deductions. The initial pension company cannot be changed for two years and there is a one-year minimum for subsequent contract switches.
- Employers will draw up contracts with pension companies detailing the administrative roles of both parties. Employers may transfer any role to the company except provider selection and deduction of contributions to the pension company.
- The employer automatically enrolls employees, offers them a menu of investment options, and selects a default fund for those who do not choose one.
- Employers deduct contributions from payroll and transfer them to the pension company. They face penalties for late or incomplete contributions.
- The employer may not pay contributions on an employee's behalf and is invited to direct contributions into an employer group pension contract (PPS).

The Council of Ministers has yet to set a minimum size threshold for affected enterprises.

## Other Notable Updates

Area	Country	Date	Name
 Health	Australia	11/10	Medical device cost containment initiative.
	Kuwait	11/03	Expatriate health scheme update.
	Slovakia	11/10	Health, social security premiums to rise
 Retirement	Algeria	11/10	Bill would hike retirement age.
	Brazil	11/17	Ruling against benefit increase for early retirees who stay in the workforce.
	Canada	11/10	British Columbia solvency funding extension.
	Canada	11/17	Ontario Pension Advisory Committee rules.
	Chile	11/10	Productivity Law expands AFP investment menu.
	Denmark	11/03	Mandatory retirement scheme and savings incentives proposed.
	India	11/17	UAN verification requirement for EPF.
	Israel	11/17	Default Retirement Plans – Automatic and Self-Enrollment.
	Macau	11/10	Social Security contribution hike.
	Malta	11/03	Highlights of the 2017 Budget.
	Montenegro	11/03	Employer tax relief for termination benefits.
	Netherlands	11/17	Flexibility on pension indexation in a merger.
	Russia	11/03	Ruling on tax regime for severance pay.
	Russia	11/10	Guidance on employer deduction of social security contributions.
	Switzerland	11/10	Second-pillar minimum interest rate drops.
	UK	11/03	Finance Act 2016 receives Royal Assent.
	US	11/03	2017 Cost-of-living adjustments.
	US	11/10	IRS 2017 Official Indexed Figures for Retirement Plans and Other Employee Benefit Plans.
	US	11/10	DOL Releases Fiduciary Rule Guidance Focusing on Conflict of Interest Exemptions.
	US	11/17	IRS Releases Guidance on Pension Equity Plans.
 Risk	Ukraine	11/03	Guidelines on eligibility for temporary disability benefits.

Area	Country	Date	Name
 Talent	Australia	11/03	Board diversity challenge.
	Australia	11/10	Guidance on car FBT.
	Belgium	11/03	2017 Budget
	Brazil	11/17	Decision on scope of collective bargaining benefits.
	China	11/03	Tax break on stock plans in unlisted companies.
	Cyprus	11/03	Fixed-term contract limits upheld.
	India	11/10	Ruling on pay equity for temps.
	Japan	11/10	Treatment of labor contracts in a company split.
	Kazakhstan	11/03	New work permit rules and fees.
	Luxembourg	11/03	Tax regime for directors' fees clarified.
	New Zealand	11/03	Residence Program tightened.
	Puerto Rico	11/03	Sick leave balance not payable on termination.
	Russia	11/17	Workers invited to audit employment contracts for compliance.
	Suriname	11/03	Ceiling for tax-exempt payments raised.
	Taiwan	11/17	Smoother contract renewal for foreign workers.
	UAE	11/17	Wage Protection System revised.
	Ukraine	11/17	Minimum wage will double.
	US	11/10	IRS Provides 2017 Inflation Adjustments and Maximum Contribution Limits for Employee Fringe Benefits.

*Additional information on the above, plus other updates can be found in Greater Insight which is updated & emailed on a weekly basis*

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## Contacts

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