

Worldwide Doing Payroll Guide

2024



Building a better
working world

Introduction

This booklet provides an overview¹, broken down by individual markets, of key HR and payroll matters to be considered as you expand your operations across the globe.

In our experience, careful consideration of these matters at the outset is the most effective way to avoid any issues, and setting up an appropriate business and employee structure in new markets.

This booklet is not to be relied on as professional advice. Furthermore, the chapters focus on newly established,

stand-alone operations. Where the operations is a regional headquarters or a holding company for foreign subsidiaries, or there are existing operations in a certain jurisdiction, a range of other considerations must be taken into account.

This booklet is general in nature. In all situations, we recommend that you seek specific professional advice from the contacts listed in each chapter. They will take into consideration your specific circumstances and objectives.

NB: This guide will work best with Adobe Acrobat Pro.

¹The content was prepared as of 26 January 2024.

EY contacts



Sheri Sullivan

EY Global and EY Americas Payroll Operate Leader
T: +1 716 843 5050
E: sheri.sullivan@ey.com



Michael Van Den Brand

EY EMEA Payroll Operate Leader
T: +34 933 666 340
E: michael.vandenbrand@es.ey.com



Marjukka Mäki-Hokkonen

EY Asia-Pacific Payroll Operate Leader
T: +61 2 9248 4397
E: marjukka.maki-hokkonen@au.ey.com

Jurisdiction	Contact
Algeria	Nouredine Bougueham
Angola	Rui Henriques
Argentina	Javier Sabin
Armenia	Kamo Karapetyan
Aruba	Anushka Lew Jen Tai
Australia	Chris M Chilton
Austria	Regina Karner
Azerbaijan	Arzu F Hajiyeva
Bahrain	Rashid Anwar
Belgium	Koen Bonnast
Brazil	Tatiana Carmona
Cambodia	Robert M King
Canada	Agnieszka Parent
Chile	Raúl Arias Vásquez
China Mainland	Vincent Hu
Colombia	Raquel Lozano S
Costa Rica	Antonio H Ruiz Rojas
Croatia	Sanja Stambolija Andric
Cyprus	Christoforos Socratous
Czech Republic	Martina Kneiflova
Denmark	Jeannie Riberholt Hansen
Dominican Republic	Antonio H Ruiz Rojas
Ecuador	Alex Suárez
Egypt	Eman Atef

Jurisdiction	Contact
El Salvador	Antonio H Ruiz Rojas
Estonia	Marin Stroo
Finland	Minna Laine
France	Wendy Guyot Gross
Georgia	Tato Chantladze
Germany	Ramona Schröder
Guatemala	Antonio H Ruiz Rojas
Guyana	Alicia Pereira
Honduras	Antonio H Ruis Rojas
Hong Kong	Vincent Hu
Hungary	Krisztina Bedő
India	Vinayak Iyer
Indonesia	Nathanael Albert
Iran	Mehdi Etehadieh
Iraq	Ali Samara
Ireland	Michael Johnson
Italy	Giuseppe Mauri
Jamaica	Juliette Brown
Japan	Tsuyoshi Okamoto Yasuyo Horikoshi
Jordan	Ali Samara
Kazakhstan	Vladimir V Fesenko
Kenya	Christopher Kirathe
Korea	Jang Kyu Shin

Jurisdiction	Contact
Kuwait	Samantha Weerasekara
Latvia	Zane Caune
Lebanon	Zeina Frenn
Lesotho	Khatija Khan Emile F Du Toit
Libya	Mouad Aoun
Lithuania	Viliune Cibulskaitė
Luxembourg	Christophe Joosen Damien Pauly
Malaysia	Jaclyn Tan
Malta	Analise Debattista
Mexico	Luis Beltran
Mongolia	Khishignemekh Regzedmaa
Morocco	Soumaya Chad
Mozambique	Khatija Khan Simião Chilemba Bucuane
Netherlands	Mariska Zuydgeest
New Zealand	Suan Tan
Nicaragua	Antonio H Ruiz Rojas
Nigeria	Akeem Ogunseni
Norway	Marianne O Klengsen
Panama	Antonio H Ruiz Rojas
Peru	Alicia Hurtado Costa
Philippines	Aaron Escartin
Poland	Marcin Jurczak
Portugal	Rui Henriques
Qatar	Husein Dewji

Jurisdiction	Contact
Rwanda	Frances Kamau
Saudi Arabia	Sohail Nini
Singapore	Olivia Yeoh
Slovakia	Vadim Bogomolov
Slovenia	Mojca Lukač Dina Ćosić
South Africa	Khatija Khan Dette Leonard
Spain	Fernando Gomez Garcia
Sri Lanka	Praveen Ruberu
Suriname	Kimberly N Schreuders
Switzerland	Nana Kivinen
Taiwan	Ann Shen Heidi Liu
Tanzania	Nsanyiwa Donald
Thailand	Wiwattana Akkarawong
Trinidad and Tobago	Alicia Pereira
Türkiye	Barış Eken
Uganda	Allan Mugisha
Ukraine	Olga Gorbanovskaya
United Arab Emirates	Smruti Varma
United Kingdom	Saskia Hawkins
United States	Murli Shah
Venezuela	Ruben Zerpa
Vietnam	Huyen Thi Thanh Nguyen Robert M King
Zambia	Patrick Mawire

Contents

Introduction	2	Finland	133
EY contacts	3	France	137
Algeria	7	Georgia	141
Angola	11	Germany	145
Argentina	15	Guatemala	153
Armenia	19	Guyana	157
Aruba	23	Honduras	161
Australia	29	Hong Kong	165
Austria	33	Hungary	169
Azerbaijan	39	India	175
Bahrain	43	Indonesia	181
Belgium	47	Iran	185
Brazil	55	Iraq	193
Cambodia	61	Ireland	197
Canada	65	Italy	203
Chile	69	Jamaica	209
China Mainland	73	Japan	213
Colombia	77	Jordan	221
Costa Rica	83	Kazakhstan	225
Croatia	87	Kenya	231
Cyprus	93	Korea	237
Czech Republic	99	Kuwait	241
Denmark	103	Latvia	245
Dominican Republic	107	Lebanon	249
Ecuador	111	Lesotho	253
Egypt	117	Libya	257
El Salvador	125	Lithuania	261
Estonia	129	Luxembourg	267

Contents (contd.)

Malaysia	275	Slovenia	377
Malta	279	South Africa	383
Mexico	283	Spain	389
Mongolia	289	Sri Lanka	395
Morocco	293	Suriname	399
Mozambique	297	Switzerland	405
Netherlands.....	301	Taiwan	413
New Zealand.....	307	Tanzania.....	417
Nicaragua.....	311	Thailand	421
Nigeria	315	Trinidad and Tobago.....	425
Norway	321	Türkiye	429
Panama.....	325	Uganda	433
Peru.....	329	Ukraine	437
Philippines	333	United Arab Emirates	443
Poland	339	United Kingdom	447
Portugal	345	United States	453
Qatar	349	Venezuela	457
Rwanda.....	355	Vietnam	461
Kingdom of Saudi Arabia	359	Zambia.....	467
Singapore.....	365	Foreign currencies list	471
Slovakia	371		

Algeria

A



1. Government requirements

Registration requirements

Social security is governed under Caisse Nationale des Assurances Sociales des Travailleurs Salariés (CNAS).

Every employer in Algeria is required to have a social security registration.

In accordance with Law n° 83-14 of 2 July 1983 relating to the obligations of taxable persons in matters of social security, any employee hired in Algeria must be affiliated to the Algerian Social Security Fund named "CNAS", whatever his:

- ▶ Nationality
- ▶ The amount and the nature of his remuneration
- ▶ Nature of the activity exercised in Algeria: salaried, in training, or assimilated activity
- ▶ The place
- ▶ Number of employers (one or many employers)
- ▶ The form and the nature or validity of their contract, or their employment relationship

In accordance with Law n° 83-14 of 2 July 1983, supplemented by Art 7 Law n° 04-17, all persons carrying out a self-employed professional activity regardless of the sector of activity are also members (members are persons that should be registered to the social security administration).

The forms required for registration are as follows:

- ▶ For the employer: "déclaration d'activité" form
- ▶ For the employee: "déclaration d'affiliation" form

EY contacts

Nouredine Bougueham
T: +213 770 27 67 06
E: nouredine.bougueham@dz.ey.com

Abderrahmane Seksaoui
T: +213 982 40 98 64
E: abderrahmane.seksaoui@dz.ey.com

Hadjer Tabti
Tel: +213 21 24 93 92
Email: hadjer.tabti@dz.ey.com

Lilya Mezaguer
T: +213 982 40 99 41
E: lilya.mezaguer@dz.ey.com



Ongoing compliance requirements

Social security

Monthly and annual social returns are governed by Law n° 83-14 of 2 July 1983 relating to the obligations of taxable persons in matters of social security under CNAS.

Electronic filing and bank payment are required for the monthly or quarterly social return (Déclaration de cotisation).

No payment is required for annual tax return (Déclaration annuelle des Salaires DAS).

All employers, from the recruitment of the first employee, should register itself and its employees at the social security administration.

Gross salary is subject to 35% social security contributions, split as follows: 9% for employee and 26% for employer.

Personal Income Tax (PIT)

PIT is governed by the Code of Direct Taxes and Assimilated Taxes Algeria (CIDTA) under the fiscal administration for PIT.

Electronic filing and bank payment are required for the monthly tax return "G50".

No payment is required for the annual tax return "301Bis".

Monthly salary and allowances are subject to an escalation rate. A flat rate of 10% applies to exceptional premiums such as bonus.

Other observations

Foreign employees should have a work permit.

2. Pension requirements

Pension is not applicable in Algeria; only social security is required.

3. Employment obligations

Employment obligations "code du travail" are governed by Law n° 90-11 of April 21, 1990 relating to labor relations under the Agence Nationale de l'emploi (ANEM).

In accordance with the law, the minimum number of leave days per year is 30 days. The right to annual leave is based on the work carried out during an annual reference period extending from 1 July of the year preceding the leave to 30 June of the year of the leave.



Employees are entitled to 15 days' paid sick leave at 50% salary and at 100% salary from the 16th day of sickness onward. Sick pay and the reimbursement of medical expenses are funded by the National Fund of Social Security, based on the mandatory social contributions paid by the employer and the employee, whether Algerian or foreign national.

Allowed paid leave

In addition, employees are entitled to three days' paid leave in the event of the following family events:

- ▶ Marriage of the employee
- ▶ Birth of a child of the employee
- ▶ Circumcision of a child of the employee
- ▶ Marriage of one of the descendants of the employee
- ▶ Death of the employee's ascendant, descendant or blood relative to the first degree
- ▶ Death of the spouse of the employee

4. Payroll requirement

Payment of wages is governed by Law n ° 90-11 of April 21, 1990 relating to labor relations under the Ministry of Labour, work inspection and National Employment Agency.

Employees are paid once a month. Pay slips need to be issued at the time of each salary payment. They are delivered to employees as hard or soft copy (secure email, or secured e-pay slip system).

5. Banking requirements related to payroll

Most employers use the bank transfer process in order to remit salaries to their employees. Payments should be performed locally in Algerian Dinar (DZD).

There is no restriction for employers to transfer salary to resident or onshore accounts. However, payment to nonresident accounts or to foreign accounts might be subject to special authorization from the Central Bank or any other financial institution.

Angola

A



EY contacts

Rui Henriques
T: +351 937 912 0028
E: rui.henriques@pt.ey.com

João Gregório
T: +351 937 949 375
E: joao.gregorio@pt.ey.com

Luísa Machado
T: +351 932 599 148
E: luisa.machado@pt.ey.com

1. Government requirements

Registration requirements

Companies and employees should be registered at the tax office in order to obtain their taxpayer number.

Social security

The employer must use the registration application or the registration form to enroll its employees.

- a. Companies with computer support (computer and internet) should:
 - ▶ Request the registration kit at the service locations or download the registration application
 - ▶ Register the company, employees and generate reports
 - ▶ Deliver the completed file and the generated reports to the service locations
- b. Companies without computer support (computer and internet) should:
 - ▶ Request the registration form at the service locations
 - ▶ Fill out the worker registration form and attach the company and employee documents, duly signed and stamped
 - ▶ Deliver the documents to the service locations
- c. Mandatory documents:
 - ▶ Photocopy of the employee's identity card (BI)
 - ▶ Tax number of the worker
 - ▶ Social security registration form, signed by the worker
 - ▶ Dependents (spouse and children)
 - ▶ Photocopy of identity card (BI) or personal card (minors)

Ongoing compliance requirements

Personal Income Tax (PIT) and social security monthly obligations

PIT

On a monthly basis, companies are required to withhold and pay the PIT due on salaries to the tax authorities by the end of the following month. PIT withholdings are computed on the basis of progressive tax rates.

Social security

- ▶ The total percentage is 11% (in most situations), with 8% paid by the employer and 3% paid by the employee.
- ▶ The payment of social security contributions is due on the 10th day of the following month.
- ▶ The submission of this report must be made by the 10th of the following month.

Monthly Remuneration Statement - Tax authority (AGT)

- ▶ The tax must be paid according to the personal income tax (IRT).
- ▶ The deadline for the payment of withholding tax is the last day of the following month.
- ▶ Submission is made by the employer until the last working day the following month.

Year-end activities

- ▶ Annual Declaration Model 2 - Companies must submit the tax authority, until February 28th, the Annual Tax Declaration - Model 2, with the subject value to taxes and income paid during the previous calendar year.



- ▶ **Registo Nominal de trabalhadores (RENT)** : This is an administrative instrument for gathering information in the public, private, mixed and cooperative business sectors as well as in social, religious and nongovernmental organizations that have salaried workers at their service, despite the nature of their employment relationship. In general, the submission of this obligation must be made by the end of April each year, regarding the data referring to the month of March of the same year.

2. Pension requirements

Registrations requirements

Companies are required to register employees at the Angolan Social Security Authority, in order to make subsequent social security contributions on monthly salaries.

Ongoing compliance requirement

On a monthly basis, companies are required to deliver to the Social Security Authority the detail of the remunerations (gross salary and additional remuneration

components) on a monthly basis by the 10th day of the next month.

3. Employment obligations

General employer obligations

In addition to workplace accident insurance, it is also mandatory for companies to manage health and safety in the workplace. Employees should also be given a medical examination upon admission to the company and at regular intervals during their employment.

Employer's accident insurance (mandatory)

In accordance with the Labor Code managed by Working Conditions Authority (ACT), the employer's accident insurance is mandatory. It is important to note that this insurance must be active from the first day of each employee's contract.

Leave days or working holidays

In accordance with the General Labor Code, employees are entitled to two working days for each complete working month. However, this could change if there is a specific collective agreement.

Angola also have a minimum wage and rest hours applicable in a standard way and with specific conditions for each type of company activity.

4. Payroll requirement

Statutory payroll requirements

The General Labor Law rules contractual relations between the employer and the employee. Accordingly, leave days, rest hours and reasons for dismissal, among others, are defined by this law.

Payment frequency

In general, the remuneration must be available to the employee on the due date or on the previous business day. The employee is entitled to 12 months of salary. This includes 50% of one month's holiday allowance and 50% of one month's Christmas allowance. However, this could change if there is a specific collective agreement.

Pay slips

On a monthly basis, employers are required to prepare and issue pay slips to employees, detailing the remuneration paid (and type of remuneration) and corresponding withholding tax, and other deductions.

5. Banking requirements related to payroll

Payments are normally made using the PS2 format or in a format defined by each bank. Payments are made in local currency (Kwanza), as well as to Angolan bank accounts for all employees, whether national or foreign.

Argentina

A



EY contacts

Javier Sabin
T: +54 11 4318 1658
E: javier.sabin@ar.ey.com

Elsa Verónica Vidal
T: +54 011 4318 1600
E: elsa.vidal@ar.ey.com

Sebastian Calciati
T: +54 011 4318 1665
E: sebastian.calciati@ar.ey.com

Paula Mandrafina
T: +54 011 4318 1600
E: paula.mandrafina@ar.ey.com

Nicolás Nigrelli
T: +54 011 4318 1600
E: nicolas.nigrelli@ar.ey.com

1. Government requirements

Registration requirements

Registration for payroll tax

A company incorporated abroad may carry out activities in Argentina, mainly, in two ways:

- a. By setting up a branch in Argentina.
Or
- b. Through a company incorporated in Argentina in which an interest is held - Once the company is incorporated, has obtained the tax Identification number "Clave Única de Identificación Tributaria" (CUIT), and the legal representative has linked his or her personal tax ID with the company's CUIT, the company can be registered as an employer with the Argentine Federal Tax Authority (AFIP). This registration is free, and the company could register as an employer without having employees, even if it will have them later.

The company will then be entitled to register employees in the Unified System for Labor Registration (USLR), run by the AFIP.

The AFIP manages:

- ▶ The retirement pension fund
- ▶ The family allowances fund
- ▶ The social security fund
- ▶ The unemployment fund
- ▶ The mandatory health plans run by labor unions (obras sociales)

In addition, employers must purchase mandatory labor risk insurance and statutory group life insurance for employees. These insurance policies are issued by private companies (that are subject to governmental controls).

Employers are also required to issue a mandatory book of wages. The Tax Authority has signed agreements with certain jurisdictions in order to centralize the approval procedures of the book of wages through the Digital Salary's Book service. The jurisdictions included at the moment are: Buenos Aires Province, Misiones, Chaco, Santa Fe, Santiago del Estero, Catamarca, Entre Ríos, Jujuy, La Pampa, San Luis, Tierra del Fuego, Salta y Mendoza.

For employees covered by collective bargaining agreements, additional requirements may also be applicable (e.g., the payment of contributions to labor unions).

Ongoing compliance requirements

Monthly payroll tax

Regarding tax payments, the AFIP runs a withholding system whereby employers, as withholding tax agents, are required to assess the tax to be borne by the employee, to make the appropriate withholding upon each payment and to declare and pay the withholding (General Resolution Number. 4003). It is not a fixed percentage but there is a progressive rate from 5% to 35% applied to the employee's net income and according to the amount.

For 2024, a series of relevant modifications are established for the income tax pertaining to payroll employees, retirees, and pensioners whose annual income exceeds the equivalent of 180 minimum living wages. These taxpayers will be subject to a "cedular" tax from 2024 onwards, to be applied to the gross salary according to a progressive scale with rates ranging from 27% to 35%.

This new “cedular” tax excludes members of the Board of Directors, statutory auditors, or supervisory boards of stock corporations (and similar roles in other types of companies). They will remain under the current fourth-bracket general system.

Monthly social security contributions

Every employer is required to deduct social security contributions (at a rate of 17%) from the employee's compensation and to make employer social security contributions too (rates are 24% or 26.4% depending on the employer).

The employee's social security contributions are subject to maximum taxable amounts. The cap is updated every three months, in March, June, September and December of each year. However, the employer's social security contributions are not subject to maximum taxable amounts.

Employers are granted with a minimum non-taxable amount that will not be subject to employer's pension contributions (currently ARS7,003.68). Additionally, employers with a payroll of up to 25 employees are granted a non-taxable amount per month of ARS10,000 (Law No. 27.541)

To pay its social security contributions, the company has to submit a monthly social security tax return (Form F931) electronically with its tax password (Law No. 24,241, Law 27.541 and regulations).

Year-end payroll tax compliance

Every calendar year-end, the employer is required to compute the annual tax to be withheld on the employee's compensation and compare it with the taxes actually withheld during the fiscal year. If there has been an underpayment of tax, the employer shall withhold the additional tax from the compensation of the employee in April of the immediately following year that is being declared. On the contrary, if the employee has paid too much tax, the employer shall credit and refund the excess tax to the employee (General Resolution No. 4.003). The employer has to submit the annual tax (Form 1357) electronically with its tax password (Law 1,345).

2. Pension requirements

Registration requirements

Pension contributions are included in the contributions made to the social security scheme. Nowadays, in Argentina, there is only one social security scheme run by the Government. Therefore, obligations related to pension benefits are fulfilled by employers in the way mentioned above (Law No. 24,241).

Ongoing compliance requirements

Ongoing compliance requirements related to pension are included in the compliance with monthly social security contributions (F931) (Law No. 24,241). The employee's social security contributions are 17% and the employer's social security contributions are 24% or 26.4% depending on the employer.

3. Employment obligations

Employment law

There are many laws governing the employment relationship. Among them, the Employment Contract Law (ECL) N° 20,744 is the fundamental regulation and the Labor Authority is the main governing authority of employment laws.

Minimum wage

A single general minimum wage is established for all industrial and office workers. In addition, there are collective bargaining agreements that regulate the specific employment conditions for particular sectors of activity (Section 116-120, Employment Contract Law).

Working hours and rest time

In principle, under the ECL, working hours shall not exceed eight or nine hours per day and 48 hours per week, excluding rest time (and between the cessation of one day and the beginning of the other, there shall be a pause of not less than 12 hours). The limit on duration of work will allow exceptions fixed by laws related to the nature of the activity, the nature of the employment of the worker and the permanent or temporary circumstances that make them admissible (Law 11,544).

Mandatory annual bonus

Mandatory bonuses are paid on 30 June and 18 December each year. They amount to one half of the highest monthly remuneration paid to the employee during the preceding semi-annual period. This is called annual supplementary salary (“sueldo anual complementario”), i.e., the 13th salary (Section 121-123, Employment Contract Law).

Paid vacation

Providing an annual paid holiday is mandatory. Vacation length ranges from 14 to 35 consecutive days, depending on the number of years of service. To be entitled to a vacation, an employee must have worked at least half of the working days in the calendar year. New employees are entitled to one day of leave for every 20 days of effective work. The compensation payable over the vacation period must include a vacation bonus. The company must pay the remuneration related to the vacation period upon the beginning of such period (Section 121-123, Employment Contract Law).

Illness and accidents

The Workers' Compensation Law requires that a mandatory insurance policy be purchased from an authorized workers' compensation insurance company, covering the cost related to medical care, professional rehabilitation, prostheses and orthopedic elements, funeral assistance and indemnities for partial or total disability or death as a consequence of occupational accidents and diseases.

Employers who purchase workers' compensation insurance policies are, in principle, exempt from any civil liability with respect to their employees and their heirs.

The insurance premium is set as a percentage of the employee's salary, which varies depending on the industry, number of employees and degree of compliance with safety regulations (Law 24,557).

4. Payroll requirements

Frequency of wage payments

Payment of remuneration must be made as follows:

- ▶ At the end of each calendar month for monthly staff
- ▶ Every week or fortnight for staff who are remunerated with a daily or hourly wage
- ▶ Every week or fortnight in respect of work completed, and a sum proportional to the value of the rest of the work performed, for personnel who are remunerated per project

Payment must be made within a maximum of four working days for monthly or biweekly remuneration, and within a maximum of three working days for weekly remuneration (Section 126 and 128, Employment Contract Law).

Pay slips

Any payment in respect of salary or other form of remuneration shall be provided together with a pay slip (in duplicate) signed by the worker, where the following information must be shown (Section 138-140, Employment Contract Law):

- ▶ Employer data
- ▶ Employee data

- ▶ Remuneration details
- ▶ Period, date and details of the bank account where the last social security contributions were made

Book of wages and other mandatory records

In addition to registration, as required according to the jurisdiction, employers must keep a special book of wages, registered and initialed, under the same conditions as the main trade books. Employers are required to register employees' salaries in the book of wages.

The Tax Authority has signed agreements with certain jurisdictions in order to centralize the approval procedures of the book of wages through the Digital Salary's Book service. The jurisdictions included at the moment are: Buenos Aires Province, Misiones, Chaco, Santa Fe, Santiago del Estero, Catamarca, Entre Ríos, Jujuy, La Pampa, San Luis, Tierra del Fuego, Salta y Mendoza.

Should the employer not comply with these requirements, the employment relationship shall be deemed not registered (Section 52, Employment Contract Law).

5. Banking requirements related to payroll

Banking of salary

Salaries should be paid by electronic funds transfer into an account in the employee's name in a bank or an official savings institution.

Under no circumstances will bank accounts used for salary payments have a withdrawal limit, or entail any cost for the employee to open, or keep or withdraw funds, regardless of the withdrawal method used.

As a result of this, in principle, the Argentine Labor Ministry extended to all employers the system of crediting compensation into bank accounts, through Resolution No. 360/01. However, Section 124 of the ECL has not been amended and still provides that "in every case, the employee is entitled to demand that his compensation be paid in cash". So, under certain circumstances, the employer may pay salaries in cash or by check made out to the employee, to be collected by them personally. (Section 124, Employment Contract Law or Ministerio de Trabajo, Empleo y Seguridad Social (MTEySS); Resolution No. 360/01).



1. Government requirements

Registration requirements

Tax registration

Governing authority: RA Ministry of Justice, RA State Revenue Committee

Governing legislature: RA Tax Code, RA Law on state registration of legal entities, state registration of separate subdivisions of legal entities, institutions and individual entrepreneurs.

In accordance with the Republic of Armenia (RA or Armenia) legislation, the employer obtains a Tax Identification Number (TIN) together with the general registration documents at the point of its setup. There is no specific registration requirement for the employer for Personal income tax (PIT) purposes. It is the obligation of the employer, as a tax agent, to withhold PIT from income provided to employees. Thus, according to the RA Tax Code, employers must register the employees (both full and part time) and service contractors with the Armenian tax authorities. The registration is done electronically via Electronic system of filing reports by completing "*Form N79 - Application for the registration of personified data of an employee and a service contractor receiving income*". The application must be filed with the Armenian tax authority by 2 p.m. of the start day. The registration is done free of charge.

Ongoing compliance requirements

Personal income tax (PIT)

Governing authority: RA State Revenue Committee

Governing legislature: RA Tax Code

In accordance with RA Tax Code, the employer is obliged to withhold PIT from the employee's pay on a monthly basis and settle this on their behalf. Employers settle the PIT payable before the 20th of the month following the reporting month. PIT report is lodged with the local tax authorities electronically via electronic system of filing reports by completing "*Form N189 - Monthly calculation of PIT and social payment*". A flat tax rate of 20% is applied to calculate the amount of PIT.

2. Pension requirements

Registration requirements

Governing authority: RA State Revenue Committee

Governing legislature: RA Tax Code, RA Law on Funded pensions

There is no specific registration requirement for the employer.

In accordance with the RA Law on Funded Pensions, employees born after 1 January 1974 are automatically considered as social contributions payers.

Those born prior to 1974 can voluntarily become participants by submitting an application for making social contributions.

EY contacts

Kamo Karapetyan
T: +374 99 88 67 00
E: kamo.karapetyan@am.ey.com

Mikayel Arzumanyan
T: +374 10 500 790
E: mikayel.arzumanyan@am.ey.com

Social security

There is no specific registration requirement for the company. However, as mentioned above, the company should register its employees electronically in the system of the tax authorities and, as a tax agent, is responsible for calculating and transferring the corresponding social contributions.

Employees born after 1 January 1974 are automatically considered as social contributions payers. Those born prior to 1974 can voluntarily become participants by submitting an application for making social contributions.

Ongoing compliance requirements

Monthly social contributions

Governing authority: RA State Revenue Committee

The employer is obliged to withhold social contributions from employees' pay (including foreign employees) on a monthly basis and settle them on their behalf. The amounts withheld are reported in the monthly PIT reports "*Form N189 - Monthly calculation of PIT and social payment*" and are settled by the 20th of the month following the reporting month.

The social contributions shall be calculated by the company at the following general rates:

- ▶ If the total monthly salary of the employee does not exceed AMD500,000: 5%
- ▶ If the total monthly salary exceeds AMD500,000: the difference between 10% of the total monthly gross salary and AMD25,000
- ▶ If the total monthly salary exceeds 15 times of the monthly minimum salary defined by the law, (hereinafter the Cap): the difference between 10% of the Cap and AMD25,000

This amount is transferred to the savings account of the employee on a monthly basis.

3. Employment obligations

Governing authority: RA State Revenue Committee, RA Ministry of Health

Governing legislature: RA Labor Code

Minimum monthly salaries

In accordance with the RA Law on minimum monthly salary, the minimum monthly salary in the RA is AMD75,000 net of taxes and other mandatory fees.

Working time

In accordance with RA Labor Code, the duration of a standard working time should not exceed 40 hours per week. Daily working time should not exceed a duration of eight hours, except for cases prescribed by the domestic legislation.

The maximum working time (including overtime) should not exceed 12 hours per day, including the break taken for rest and lunch, and 48 hours per week.

Annual paid leave

In accordance with the RA Labor Code regulations, the duration of the minimum annual leave for employees working a five-day working week is 20 working days and for a six-day working week is 24 working days. As a rule, annual leave for the first year of employment is provided to the employee after six months of continuous employment. The employer and employee may agree for the annual leave to be granted in parts. In such case, one of the parts of the annual leave should be at least 10 working days for a five-day working week and 12 working days for a six-day working week.

Sick leave allowance

Pursuant to RA Law on Temporary Disability and Maternity Allowance, the employee may be granted sick leave allowance on the provision of a temporary disability certificate for the working days of the disability period.

Further, the payment for the first consecutive five working days is made at the expense of the employer, without any reimbursement, while the remaining part is paid at the expense of the Armenian state budget.

The temporary disability allowance is calculated on 80% of the employee's average monthly salary (income). If this amount exceeds 10 times the sum of the minimum monthly gross salary, then the temporary disability allowance is calculated on the amount of the minimum monthly gross salary at the time of temporary disability multiplied by 10.

If the average monthly salary of the employee is less than 50% of the minimum monthly gross salary set at the time of the disability, then the temporary disability allowance is calculated on 50% of the minimum monthly gross salary.

Maternity leave and allowance

In accordance with RA Labor Code regulations, working women may be granted maternity leave as follows:

- ▶ Leave of 140 days (70 days before childbirth and 70 days after childbirth)
- ▶ For complicated childbirth cases, 155 days (70 days before childbirth and 85 days after childbirth)

- ▶ In the case of having more than one child, 180 days of leave (70 days before childbirth and 110 days after childbirth)

In accordance with the RA Law on Temporary Disability and Maternity Allowance, the corresponding allowance is calculated on the basis of the employee's average monthly salary. If the average monthly salary of the employee exceeds 15 times the minimum monthly gross salary set at the time of the disability, then the maternity allowance is calculated on the minimum monthly gross salary multiplied by 15. If the average monthly salary of the employee is less than 50% of the minimum monthly gross salary set at the time of the disability, then the maternity allowance is calculated on 50% of the minimum monthly gross salary.

4. Payroll requirements

Governing authority: RA State Revenue Committee

Governing legislature: RA Labor Code

Salary payment

Salary shall be calculated and paid to employees at least once a month by the 15th of the next month. Payment from parent of employing entity is not common practice in Armenia, however it is possible. In this case taxation issues for employing entity should be analyzed.

Pay slips

When making salary payments, upon an employee's request, the employer shall provide the employee with the pay slip indicating the calculated pay and amounts withheld from it.

5. Banking requirements related to payroll

Governing authority: RA State Revenue Committee

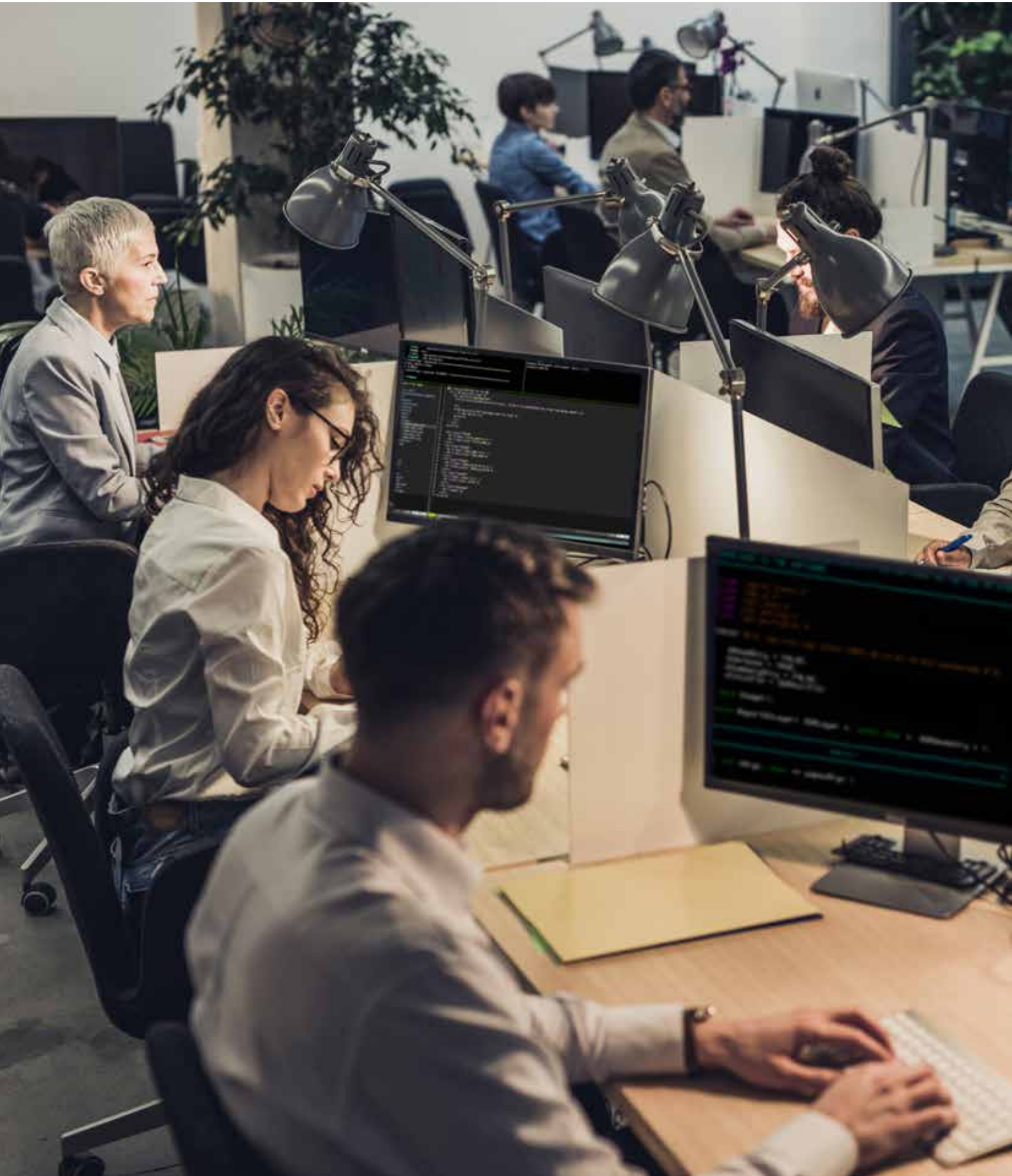
Governing legislature: RA Labor Code, RA Tax Code, RA Law on Currency Regulation

In accordance with the RA Labor Code regulations, the employers pay salaries in Armenian Dram (monetary unit of the RA). Starting 1 January 2020, those employers who carried out activities in Yerevan (capital of Armenia) and had 10 and more employees should have paid salaries only on non-cash basis. Starting 1 July 2022, the payment by employers operating in Yerevan is made on non-cash basis using bank orders, checks or via monetary transfers to the bank accounts specified by the employees. Starting 1 July 2023, the same method of payment will be applied by the employers operating in the administrative centers of the Armenian marzes. Starting 1 July 2024, any other employer in Armenia will follow this method of payment.

Based on the application of the person with a disability, the payment can be made on cash basis. There are no issues with payments to employees from offshore bank account.

Aruba

A



1. Government requirements

Registration requirements related to government bodies

Employees working in Aruba must be registered at the following authorities in Aruba:

- ▶ Aruba Tax Authorities (ATA): the employee must obtain a personal tax identification number (“persoonsnummer” in Dutch) by submitting the request online. The employee must register for personal income tax and social security premiums (latter; if applicable).
- ▶ Department of integration, administration and admission of foreigners (DIMAS): Foreigners must in principle obtain a permit to be able to live and work in Aruba. There are different types of permits (e.g., in case of paid employment, athletes) and the request must be submitted online and in person.
- ▶ Social Security Bank (SVB): Employers need to be registered with the SVB and obtain a SVB number. Employers need to also register their employees at the SVB in order to benefit from the employee insurances, cessantia and social security insurances: Old Age Insurance (AOV) and Widow & Orphans Pension (AWW). Registration is online via the so called “MiSVb 2.0” portal.
- ▶ Executive body General Health Insurance (UO AZV): qualifying employees need to register at the AZV in order to benefit from the General Health Insurance (AZV). Registration is online.
- ▶ Department of Economic Affairs, Commerce and Industry of Aruba (DEACI): a foreigner who acts as managing director of an Aruban company and/or for another corporation that will act as managing director of the Aruban company needs to obtain a director’s license. If the person is born in Aruba and has the Dutch nationality or is nationalized as a Dutch citizen in Aruba and is 18 years or older, the person does not need to obtain a license to become the director of an Aruban company.

Local employers are considered withholding agents for wage tax and premium for social security insurances due from nonresident employees. In case of a foreign employer, the foreign employer is only required to withhold wage tax and premium for social security insurances if i) it has a permanent establishment or permanent representative in Aruba or ii) it has employees working in Aruba and has been designated by the ATA as a withholding agent. Some persons are considered to have a fictitious employment with an employer (foreign) even in the absence of a formal employment agreement (e.g., supervisory board members of Aruban established entities).

A withholding agent must obtain a “persoonsnummer” by submitting the request online and must register for the online portal named “Bo Impuesto Online (BOi)” in order to submit the monthly wage tax and premiums AOV/AWW and AZV return.

Ongoing compliance requirements

Prior to the first day of employment

Prior to the first day of employment, the employee must fill in an employee declaration (“werknemersverklaring” in Dutch) that includes all relevant information for the correct withholding of wage tax and social security premiums. A copy of a valid identification, such as a passport, drivers’ license or Cedula, and his or her persoonsnummer, should also be filed into the administration.

EY contacts

Anushka Lew Jen Tai
T: +297 5214440
E: anushka.lew.jen.tai@an.ey.com

Raymond Swager RA
T: +599 9 430 5155
E: raymond.swager@an.ey.com

Amey Joubert
T: +297 5214400
E: amey.joubert@an.ey.com

Waldric Brete
T: +297 5214400
E: waldric.brete@an.ey.com

Monthly obligations

Wage tax and social premiums due should be withheld on a monthly basis. Furthermore, a wage tax and social premium return should be filed (online) with the ATA, and the wage tax and social premiums due should be paid no later than the 15th day after the end of each month.

Additionally, a payroll administration (“loonstaat”) has to be updated on at least a monthly basis. If the employee incurs certain income tax deductible expenses (e.g., mortgage interest main residence) during the calendar year, the person can, upon filing of a request, obtain a wage reduction statement from the ATA. Based on the wage reduction statement, the aforementioned deductible expenses will be taken into account when computing the wage tax due.

a. Wage tax

Wage tax is a pre-levy to the income tax and employees are subject to wage tax at the same progressive rates as the income tax rates. Certain types of income (for example severance payments and surrenders of pensions) are taxed at 25%. A general tax-free income of AWG30,000 (for 2023) applies and it is deducted from the taxable income to calculate the so called table income. The general tax-free income is pro-rated if the person is not subject to wage/income tax the complete calendar year. The following table shows the individual wage income tax rates and tax brackets for the 2023 fiscal year.

With a table income of:			
More than:	And less than:	The tax amount is:	For each amount higher than column 1:
AWG	AWG	AWG	%
0	34,930	0	10%
34,930	65,904	3,493.60	21%
65,904	135,527	9,577.50	42%
135,527	-	39,659.20	52%

b. Social security contributions

In principle, all resident individuals must pay social security contributions. For employees, the employer must contribute part of the premiums due. The contributions provide benefits under the General Old Age Insurance Ordinance (AOV), the General Widows and Orphans Ordinance (AWW) and the General Sickness Ordinance (AZV).

Employers must pay employee insurance contributions for residents and nonresidents. The contributions provide benefits under the Sickness Insurance Ordinance (ZV), Accident Insurance Ordinance (OV) and Cessantia Ordinance. Certain employees are excluded from the ZV/OV insurance and Cessantia. The cessantia is an insurance for employees against the costs of involuntary dismissal of employment. The insurance entitles the employee to a one-off payment, the amount of which depends on the duration of the employment and the last wage received or for certain cases a pension.

The following table shows the individual social premium rates for the 2023 fiscal year.

Premiums			
	Employer	Employee	Max. AWG
AOV ¹ /AWW ²	10.50%	5.0%	85,000
AZV ³	8.90%	1.60%	85,000
ZV ⁴	2.65%		70,200
OV ⁵	0.25 - 2.50%		70,200
Cessantia ⁶	AWG 40 per year		

¹AOV: General Old Age Insurance Ordinance

²AWW: General Widows and Orphans Ordinance Insurance

³AZV: General Insurance Sickness Ordinance

⁴ZV: Sickness Insurance Ordinance

⁵OV: Accident Insurance Ordinance

⁶Cessantia: The Cessantia Ordinance provides for severance payment in case of involuntary dismissal

Annual obligations

After each calendar year, the employer is required to prepare and submit a summary wage sheet (so called “verzamelloonstaat”) and statement for third parties if applicable (so called: “opgaaf derden”) (online) to the Tax authorities, no later than 31 January.

The summary wage sheet includes a summary of relevant information, the wage and social premiums withheld and paid for each employee. The statement for third parties includes a summary of relevant information and payments made to each person other than employees.

Administration

The payroll administration, all relevant information and documents should be kept on file for a period of 10 years.



2. Pension requirements

Collective pension insurance - AOV (Old-age pension)

The AOV is a collective pension insurance (“Algemene Ouderdomsverzekering” in Dutch), based on the General Old Age Insurance Ordinance, which provides residents with a minimum basic pension at the age of retirement. The AOV is funded according to the so called pay-as-you-go system. This means that all insured persons between the ages of 15 and the retirement age who have an income, pay the premium required to provide for the AOV pension. As of 1 January 2015, the retirement age was increased from 60 years, every six months until 1 January 2024, to 65 years. The total AOV premium is 15.5%, of which 10.5% is paid by the employer and 5% is paid by the employee. The premium is levied on the income up to a maximum of AWG85,000. Refer also to section 1 under ongoing compliance requirements.

In principle, a person who has been insured is entitled to the full AOV benefit taking into account a discount for each year between the age of 15 and the retirement age that he or she was not insured.

The AOV pension is granted upon request with the Social Security Bank (SVB).

Private pension insurance

All qualifying employees in the private sector (excluded are civil servants or similar) should be insured by law for a pension via their employers at a local insurance company or a regulated company pension fund. Director substantial shareholders of Aruban companies have different set of rules. Below are some key aspects of the compulsory pension requirements:

- ▶ As of 1 January 2015, the retirement age was increased from 60 years, every six months until 1 January 2024, to 65 years.
- ▶ The premium is set on a minimum of 6%, of which the employer should pay at least half.
- ▶ The premiums are applied on the pensionable salary, which is defined as at least 12 times the fixed gross monthly salary, increased with the average of the variable wage components of the past three years in case the employee works based on a variable component. The variable wage components focus on commissions and such.

3. Employment obligations

Minimum wage

The minimum wage as per 1 January 2022 of an employee who has reached the age of 18 years amounts to AWG1,893.40 per month and AWG441.60 per week.



Vacation

According to the Vacation Ordinance (Vakantieverordening), every employee is entitled to an amount of vacation days per year equal to at least 3.3 times the contracted work time per week or at least 3.3 times the average hours per week if the contracted work time is measured in hours. During an employee's vacation, the employee remains entitled to receive his or her salary. Vacation allowance, however, is not mandatory. Furthermore, the employee remains entitled to receive his or her salary during (official) national holidays.

Sick leave

In the event that an employee, who is insured under the Sickness Insurance (ZV) Ordinance, is unable to perform his or her labor due to sickness, the employer is obligated to continue payment of the employee's salary (80%) insofar the absence lasts longer than three working days and for a maximum period of two years (unless otherwise stipulated in the labor agreement). The employer will subsequently receive a refund for the 80% salary from the Social Security Bank. The Sickness Insurance (ZV) Ordinance only applies to full-time employees.

Pregnancy and maternity leave

An employee is entitled to payment of 100% of her salary when she is on pregnancy and maternity leave. Pregnancy leave can be claimed four to six weeks before the estimated due date and maternity leave can be claimed the rest of the remaining 12 weeks. The total amount of time on leave (pregnancy leave and maternity leave combined) must in all events be maximum 12 weeks.

The male employee is entitled to two days of paid paternity leave in case the spouse or woman with whom he has been living permanently as if he had been married, gives birth. The right exists from the first day that the child actually lives at the same address as the mother.

Other leave

For other situations such as weddings, funerals and personal leave, there is no legal stipulation granting the employee a specific amount of time for permitted leave. However, (unless agreed otherwise) an employee remains entitled to his or her wages for a fair short period of time, in the event the employee was not able to work during such time due to (i) the fulfillment of an obligation imposed by law or by the government which could not be fulfilled in the employee's free time or due to (ii) special circumstances not caused by the employee's fault.

4. Payroll requirement

Employers must process salary payments in accordance with the conditions agreed in the employment contract and provide the employee with a pay slip containing the details of the salary received and the applied withholding of taxes and premiums.

If salary payments are made from another party other than the employer, the employer must withhold taxes and premiums on such payments.

After the end of a calendar year, an employer must provide the employee with an annual income statement (“Loon Opgaaf” in Dutch). This statement includes, among other, the wages that the employee received during the calendar year. It also states how much wage tax and premiums for social security insurances were withheld from the wages during the calendar year.

5. Banking requirements related to payroll

Employers may make salary payments to an employee in cash, in kind or by bank transfer. There are no restrictions applicable to salary payments made to and from abroad. A foreign exchange commission of 1.3% is however due on payments abroad by a resident to a nonresident. If salary payments are made in kind, such as a company phone or lease car, deemed allowances may be taken into consideration as taxable wage instead of the actual costs for wage tax and premium purposes.

Australia

A



1. Government requirements

Registration requirements

Registration for Pay As You Go (PAYG) Withholding

When an entity enters Australia and employs people to carry out a business, the entity must register with the Australian Taxation Office (ATO) for PAYG withholding prior to employing or paying staff. If the entity has already obtained an Australian Business Number (ABN), the business can register for PAYG withholding by completing an "Add a new business account" form. If the entity does not have an ABN but has determined that an ABN is required, applications for an ABN and PAYG withholding can be carried out at the same time. Businesses that do not have an ABN and do not require one still need to register for PAYG withholding if they are paying workers. Businesses in this situation are required to complete the "Add a PAYG withholding account" form. Submitting payment details to the ATO via Single Touch Payroll (STP) reporting became mandatory for all employers with an ABN from 1 July 2019.

Registration for Payroll Tax

Payroll Tax is a tax due by employers on wages paid or payable to employees. In some cases, payments to contractors may also be regarded as wages for payroll tax purposes. The law in each state and territory broadly provides for payroll tax to be levied on wages, in cash or in kind, provided by employers to their employees. An employer's liability will vary between states and territories due to the definition of the term "wages" on which the tax is levied, various payroll tax rates and the tax-exempt wages level threshold.

If an employing entity has wages that exceed the payroll tax thresholds, the business will need to register for payroll tax within seven days after the end of the month in which they commence paying wages. For an employing entity which employs people in more than one jurisdiction and the Australia-wide wages exceed the threshold in any of the states, the business will need to register for payroll tax in each state that the business employs. Each of the states and territories have their own Payroll Tax Act that governs the payroll tax levied on wages paid to the employees.

Workers Compensation Insurance

Workers Compensation Insurance is an insurance policy that ensures the employing entity is covered for the cost that might follow a workplace related injury or disease. These costs can include weekly and lump sum payments, medical, hospital and rehabilitation expenses, and return to work costs. Entities with employees must acquire a Worker's Compensation Insurance Policy. The regulations concerning worker's compensation vary in each jurisdiction of Australia.

Ongoing compliance requirements

Remittance of PAYG withholding

The timeframe in which an amount withheld must be remitted to the ATO depends on the total amount of PAYG withheld by an entity on an annual basis. Businesses are categorized as either a large, medium, or small.

- ▶ **Large withholders:** An individual or business entity is considered a large withholder if its total PAYG withholdings for the previous financial year exceed AUD1 million. A large withholder must pay the withheld amount to the ATO

EY contacts

Chris Chilton

T: +61 2 9248 4293

E: chris.chilton@au.ey.com

Angela Stojanovska

T: +61 2 9248 4443

E: angela.stojanovska@au.ey.com

within seven days of making the salary or wage payment. The amount must be paid electronically.

- ▶ **Medium withholders:** An entity is considered a medium withholder if its total PAYG withholdings for the financial year falls within the range of AUD25,001 to AUD1 million. A medium withholder must pay the withheld amount to the ATO on a monthly basis by the 21st of the following month of the withholding. The withholdings must be remitted electronically.
- ▶ **Small withholders:** An entity is considered a small withholder if it has an annual withholding of up to AUD25,000. A small withholder must remit the withholdings at least quarterly, by the 28th of the month after the quarter ends. The ATO imposes penalties and interest for late lodgment, late payment and nonpayment of PAYG withholdings.

Payroll tax lodgment and payments

Each state requires applicable employers to lodge a monthly payroll tax return, including payment, by the 7th of the month following payment. An annual reconciliation for all states and territories is due by 21 July each year. The payroll tax rates and tax-free thresholds vary in each jurisdiction. In addition, the type of payments subject to payroll tax may vary. The wages subject to payroll tax include certain non-cash benefits subject to Fringe Benefit Tax (FBT), superannuation contributions and the payments made to contractors deemed as employees. Employee share schemes awards also need to be included.

Some states may allow small employers to lodge and make payment once or twice a year. The Office of State Revenue in each jurisdiction will outline the lodgment requirements and wage components applicable for payroll tax to be applied.

Reporting of PAYG

If an employing entity has tax withheld amounts from wages, salaries, employment termination payments (ETPs) or other similar payments, the employing entity is required to provide a record of the employee's payment details. This is required by the date of the payment using a prescribed ATO channel referred to as Single Touch Payroll (STP) reporting. Employers are no longer required to provide employees with payment summaries if they report through STP. This information is available to employees via the MyGov website. STP requires detailed reporting of payments by category e.g., to distinguish salary, allowances, leave, termination payments and certain other categories.

2. Pension requirements

Registration requirements

Employers are not required to register with a superannuation fund. Instead, the responsibility lies with the employee to nominate a superannuation fund to which the employer will remit superannuation funds periodically. The employee is required to complete a "Choice of Fund Form" and submit to their employer for payment. An employer must be able to demonstrate that employees have been offered the choice of fund.

Ongoing compliance requirements

Superannuation Guarantee Contribution

All employers in Australia are required to contribute a minimum amount toward superannuation for their workers. The superannuation contributions made by an employer on behalf of employees are generally tax deductible except any penalties imposed due to employers not providing the required minimum level of superannuation contribution. The superannuation rate on earnings for ordinary hours of work is 11% for FY23-24 increasing by 0.5% each year until it reaches 12% from 1 July in 2025. Superannuation must be calculated and remitted to a complying superannuation fund either elected by the employee or the employer's default superannuation fund, if employees do not elect fund of their own. From 1 November 2022, will have a primary fund that is "stapled", meaning that when an employee does not choose a superannuation fund, their employer must pay superannuation contributions to their existing account (stapled fund). Superannuation must be remitted at least quarterly to the employees' superannuation fund. Superannuation payments must be made electronically (Electronic Fund Transfer (EFT) or BPAY). Superannuation lodgments and associated data must also be submitted electronically in a standard format compliant with the SuperStream requirement. The reporting of earnings for superannuation guarantee purposes is also covered by STP reporting. This will enable payment to complying superannuation funds. Non-compliance or non-payment in accordance with the Superannuation Guarantee (Administration) Act 1992 and SuperStream compliance will result in penalties and fines imposed on the employer.

3. Employment obligations

Employment law and minimum employment requirements

Industrial instruments (awards or enterprise agreements) and the National Employment Standards set minimum wages and conditions for each employee in Australia. Minimum wages change each year and employers must comply with the minimum wages and conditions.

There may be breaches of the Fair Work Act if the minimum employment conditions are not met (which are penalty provisions). The national minimum wage for FY23-24 is AUD23.23 per hour. However, this minimum wage may vary depending on the role and industry of the employee.

In addition to minimum wages, employers must provide the minimum leave entitlements set out under the National Employment Standards. The minimum requirements include four weeks paid annual leave per year, and 10 days paid sick leave each year for full-time and part-time employees. Furthermore, long service leave legislation in each state and territory governs long service leave entitlements, so the entitlement may vary by state.

4. Payroll requirements

Payroll payments and pay slips

The Fair Work Ombudsman is the regulator responsible for enforcing many of the conditions in the National Employment Standards and pay requirements under industrial instruments.

Depending on the industry in which the employing entity operates, either an award or an enterprise agreement will set out the minimum standards of how to pay employees. These can include conditions such as minimum wages, penalty rates, overtime and allowances. Employees must be paid at least monthly although an industrial instrument can require that employees be paid more frequently.

All employees must be provided pay slips within one working day of the pay day. Pay slips can be provided in either electronic form or hard copy. The electronic form must have the same information as the hard copy.

Taxable salary and wage income is taxable in the financial year in which it is received, regardless of when it was earned. Tax should be withheld at the time the payment is made to the employee.

5. Banking requirements related to payroll

Banking of salary and wages

Payroll payments can be paid by one or combination of:

- ▶ Cash
- ▶ Check, money order or postal order, payable to the employee
- ▶ Electronic funds transfer (i.e., EFT or bank transfer)

If paying wages by cash, the employer and employee should sign a record to confirm the amount of money that has been paid for each pay period.

Austria

A



1. Government requirements

Registration requirements

Wage tax

- ▶ The employer has to inform the respective tax authority about the launch of their business within one month.
- ▶ The employer needs to apply for an Austrian wage tax ID.
- ▶ Application for wage tax ID must be submitted to the Austrian tax office (Betriebsstättenfinanzamt) of the city where the permanent establishment of the company is located.
- ▶ The tax ID is required to withhold and settle the taxes.
- ▶ If employees working in Austria are liable to Austrian wage tax, an authorized representative can run an Austrian payroll for the foreign employer. The income tax has to be withheld and paid to the Austrian tax office. An Austrian compensation statement has to be prepared by the payroll provider on behalf of the foreign employer. The compensation statement has to be submitted to the tax authority electronically by the end of February the following year.
- ▶ The tax year in Austria is the same as calendar year.

Social security insurance

To register as an employer for social security insurance, the employer has to apply for a social security ID at the respective social security authority. All payments and de-registrations require this ID. The social security ID application can be done online.

Ongoing compliance requirements

Filing and payment obligations

In general, there is a requirement for every employer to withhold payroll taxes and social security contributions from the wages of resident and nonresident employees rendering services in Austria. The employer has to run a payroll account where all employee-related information is included. All compensation should be included, even those that are tax-free.

Tax obligations

The following types of payments or contributions have to be paid to the respective tax authority by the employer:

- ▶ Wage tax
- ▶ Contribution to the family burden fund (Dienstgeberbeitrag zum FLAF)
- ▶ Additional contribution to the family burden fund (Zuschlag zum Dienstgeberbeitrag)

The wage tax has to be withheld by the employer. The total withheld wage tax has to be paid to the respective tax authority of the employer's permanent establishment. This has to be done by the 15th of the following month.

The contribution to the family burden fund (3.7%) has to be paid by all employers who have employees in Austria. This includes also employees who are sent abroad. Foreign employers whose employees are working in Austria must also pay this contribution.

The additional contribution of the family burden fund has to be settled by the employer provided it is a member of the Austrian Chamber of Commerce. Foreign companies will not become a member of the Austrian chamber if they do not have an office in Austria. There is no obligation to settle the additional

EY contacts

Regina Karner
T: +43 1 211 70 1296
E: regina.karner@at.ey.com

Dominik Langer
T: +43 1 21170 1413
E: dominik.langer@at.ey.com

contribution of the family burden fund if the employees are sent abroad and are not covered by the Austrian social security system. The additional contribution of the family burden fund varies within Austria and is set between 0.34% and 0.42% as of 2023.

Social security obligations

The monthly reporting for social security purposes is sent electronically.

The following types of contributions have to be paid to the respective social security authority by the employer for both employee and employer:

- ▶ Health insurance
- ▶ Pension insurance
- ▶ Accident insurance
- ▶ Unemployment insurance

In general, the contributions are due on the last day of the month and should be paid within 15 days.

The monthly statements must be done electronically until the 15th of the following month.

Contribution to the severance pay fund

The employment contract is covered by the Law of the Severance Pay Fund (Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz (BMSVG)) provided that the employment contract is covered by the Austrian labour law. With the beginning of the employment contract, the employer has to withhold 1.53% of the monthly remuneration. The contribution has to be settled to the respective social security authority who will forward it to the respective office (Betriebliche Vorsorgekasse). The employees are entitled to receive a severance pay when they leave the company (e.g., in case of retirement). The severance pay has to be settled at the end of the second month after it has been claimed.

Municipal body taxes

The following types of taxes have to be paid to the respective municipal body:

- ▶ Community tax (Kommunalsteuer)
- ▶ Employer tax for Vienna (Dienstgeberabgabe der Gemeinde Wien-U-Bahn-Steuer)

The community tax (3%) has to be settled for employees of an Austrian permanent establishment of the company. The community tax is due by the 15th of the following month. The community tax return has to be filed electronically by end of March of the following year with the municipal body.

The employer tax for Vienna has to be settled for all employment contracts if the place of work is located in Vienna. In general, the tax amounts to EUR2.00 per employee per week. It is due by the 15th of the following

month. The tax return has to be filed by end of March of the following year.

Tax rates

Income below EUR11,693 is tax-free for ordinarily resident individuals, while the income of nonresidents is tax-free up to EUR2,000. The following table includes the tax rates for the ordinarily resident individuals in Austria for regular payments.

Taxable income (EUR)	Tax rate (%)
First 11,693	0
Next 7,441	20
Next 12,941	30
Next 39,005	41
Next 31,040	48
Next 906,880	50
Above 1,000,000	55*

Special tax rates for vacation and Christmas bonus (non-regular payments)

Annual salary is paid in 14 equal instalments to achieve a more favorable income tax rate. Non-regular payments, such as the 13th and 14th months' salaries, are taxed at the following tax rates on the condition that they do not exceed one-sixth of the amount of the regular payments:

Amount of payments (EUR)	Tax rate (%)
Up to 620	0
For the next 24,380	6
For the next 25,000	27
For the next 33,333	35.75
For more than 33,333	50

If one-sixth of the regular payments equals EUR2,100 or less, the non-regular payments are tax-free.

Social security insurance rates and obligations

In general, an individual working in Austria is subject to the Austrian mandatory social security system according to the Austrian social security law. The employee as well as the employer has to settle social security contributions to the Austrian social security authorities.

Social security system in Austria consists of the following elements:

- ▶ Health insurance
- ▶ Old-age pension
- ▶ Unemployment insurance
- ▶ Insolvency guarantee
- ▶ Accident insurance

The percentage rates for 2023 are as follows:

Name	Total (%)	Employer (%)	Employee (%)
Health insurance	7.65	3.78	3.87
Accident insurance	1.10	1.10	–
Old-age pension insurance	22.80	12.55	10.25
Unemployment insurance	6.00	3.00	3.00
Insolvency guarantee funds contribution	0.10	0.10	–

The monthly ceiling for regular payments is EUR5,850 in 2023. The annual ceiling for special payments is EUR11,700.

The employer has to register all new employees before the first workday and deregister them within seven days after the end of employment at the responsible agency. This effects also the accident and old-age insurance and has to be done electronically.

2. Pension requirements

Registration requirements

Statutory pension insurance

The rules included in the ASVG are applicable to persons born before 1 January 1955. Allgemeine Pensionsgesetz (APG)" is applicable to people born after this date. The contributions to the old-age pension insurance are paid to the pension insurance agency (Pensionsversicherungsanstalt - PVA).

For persons born after 1 January 1955, the individual pension account (Pensionskonto) is applicable. All old-age pension contributions are summed up within this pension account.



Voluntary company pension schemes

Company pension schemes can be set up in addition to the statutory pension insurance. Employees are part of the mandatory pension scheme.

Retirement

The general regular pensions are paid to women from the age of 60 (until the year 2024), 65 (starting with the year 2033) and for men from the age of 65. Future legislative developments cannot be foreseen, however it is expected that the pension age will be increased.

3. Employment obligations**Minimum wage**

- ▶ The Austrian law against wage and social dumping (Lohn- und Sozialdumping-Bekämpfungsgesetz) regulates that similar wage condition applies for employees working in Austria in the same branch.

- ▶ If the law is breached, penalties can be set between EUR1,000 and EUR50,000. Additionally, the responsible authority can prohibit the foreign employer to perform any services in Austria for up to five years.

Vacation entitlement

Generally, vacation entitlement is regulated by law (Urlaubsgesetz - UrlG). The employee is entitled to receive paid vacation. For less than 25 years of work, the paid vacation amounts to 30 workdays which corresponds to 25 weekdays or five weeks per calendar year. For more than 25 years of work and other conditions, the paid vacation amounts to 36 workdays which corresponds to 30 weekdays or six weeks per calendar year. During the vacation, the employee is entitled to receive his regular wage.

Holiday

Holiday planning has to be arranged between the employer and the employee. During the holiday, normal business has to be ensured. Additionally, the employer has to ensure that the employee can rest during the holiday. The holiday can fall under the statute of limitation. Therefore, the employer has to make sure that the employees consume their holiday on time.



4. Payroll requirements

Payment

A central duty of the employer is the payment of the agreed wage – the amount cannot be less than legal regulations, such as the minimum wage in many industries. Punctual payment and correct calculation of the amount is also an element of compulsory performance. If, instead of a fixed salary, the actual working time is paid, the employer must ensure that this is correctly recorded. According to the law, punctuality in money transactions is highly important. If the employee forgets to communicate his or her new bank account, the amount must be re-transmitted as soon as possible. Transfer to the following month's salary is not allowed. Likewise, an erroneously inadequate transfer must be corrected immediately; in the case of minor amounts, transfer to the subsequent period can only be made if the employee expressly agrees. The obligation to pay includes the granting of paid leave as well as the payment of wages in the case of the employee's incapacity for work.

Social security contributions, wage tax and employer taxes

Contributions to social insurance must be paid by both the employer and the employee. The employer carries out the technical implementation of the deduction of social security contributions and wage tax. In addition, the employer may even be personally liable for income tax not being paid to the authorities.

5. Banking requirements related to payroll

Data files for payroll payments processed via data transmission to the bank can be prepared by payroll software, also if a foreign client or employee bank account is to be used. In general, only a valid IBAN number and BIC number is needed in order to prepare payroll bank files for the client (Austrian as well as foreign clients within Europe).

Azerbaijan

A



1. Government requirements

Registration requirements

Legal entities

Various registration requirements apply to foreign companies establishing a business presence in Azerbaijan. Registration of commercial legal entities and public legal entities are conducted according to the Law on State Registration and State Register of Legal Entities. Registration with other state authorities is not required, as this will be done by the State Tax Service under the Ministry of Economy of the Republic of Azerbaijan (STS) based on the so-called “one-stop shop” principle. Non-commercial legal entities are registered with the Ministry of Justice. The fee for registration of Branch and Representative Offices of foreign legal entities is AZN300. Changes to registration details are free of charge.

Ongoing compliance requirements

Personal Income Tax (PIT)

Local and expatriate employees are mostly subject to the same tax rules in Azerbaijan. A resident for Azerbaijani PIT purposes is defined as any person who spends more than 182 days in a calendar year in Azerbaijan. Residents are taxed on their worldwide income whereas nonresidents are only taxed on their Azerbaijani source income.

Payment of PIT is made through a withholding mechanism carried out by the employer. According to the applicable legislation, the employee's monthly income should be taxed at the following rates:

- ▶ Up to AZN2,500: 14% (applied to the salary amount less the minimum living wage determined for the given reporting year)
- ▶ Above AZN2,500: a total of AZN350 and 25% of the amount exceeding AZN2,500
- ▶ The payment is due by 20th of the month following the calendar month

Starting from 1 January 2019, updates have been introduced to the tax legislation granting reduced PIT rates for the period of seven years for the taxpayers engaged in non-oil and gas and non-government sector. Determination of sector depends on revenue streams of the taxpayer for the previous year. The reduced PIT rates granted for non-oil and gas sector are as following:

- ▶ Up to AZN8,000: 0%
- ▶ Above AZN8,000: 14% of the amount exceeding AZN8,000

No requirement for the personal filing of PIT from employment activity is envisaged under the Tax Code of Azerbaijan Republic (TCA). However, according to the TCA, the employer is obliged to file the PIT quarterly Joint Employer's Liability report to the tax authorities including information on PIT and pension payments. The reporting deadline for the report is 20th of the month following the reporting quarter.

EY contact

Arzu Hajiyeva
T: +994 12 490 70 20
E: arzu.hajiyeva@az.ey.com

2. Pension requirements

Registration requirements

Compulsory state social insurance

The registration of commercial legal entities at the State Social Protection Fund (SSPF) is carried out simultaneously during the registration process with a single registration body (i.e., the STS) and no further actions are required.

The conclusion of an employment agreement itself entails the obligation to pay compulsory state social contributions, which are withheld at source and remitted to the SSPF by the employer, based on the Law on Social Insurance. Compulsory state social insurance contributions serve as a social insurance and condition for receiving a pension once the employee reaches retirement age. According to the Law on Labor pensions, retirement age set by the labor legislation is currently 63 years and 6 months for women and 65 years for men (for woman, the age increase for 6 months after each 1 July till 2026) with at least 25 years of social insurance contributions.

The registration for compulsory state social insurance contributions for individuals is carried out upon application and by the employer's submission of other documents to the SSPF within one month of the date of conclusion of the employment agreement. In order to register the paid social insurance contributions, the SSPF creates personal accounts with a unique Social Insurance Certificate Number for each employee, which are formalized with a Social Insurance Certificate presented to each employee.

Ongoing compliance requirements

Compulsory state social insurance contributions

Pursuant to the Law on Social Insurance of the Republic of Azerbaijan, there are two elements of SSIC:

- ▶ Payable by employee
- ▶ Payable by the employer

The employer is obliged to withhold 3% social fund contributions from the employee's gross income. In addition, 22% social fund contributions calculated on the monthly gross salary are payable by the employer at its own cost. Basically, it is the PIT base, with certain adjustments, that is used for the calculation of social contributions in Azerbaijan.

SSIC rates for individuals engaged in employment activities under non-oil and gas sector are different from the ones described above. As such, for individuals whose gross taxable monthly income is above AZN200 - 10% of the amount exceeding AZN200 plus AZN6 should be withheld from employee and 15% of the amount exceeding AZN200 plus AZN44 should be paid by employer.

The payment of SSIC should be made by the 15th of the month following the month of salary calculation. The reporting in this respect is done on a quarterly and annual basis. Quarterly Joint Employer's Liability reports discussed under the PIT section earlier which should also include information on SSIC should be submitted no later than the 20th of the month following the reporting quarter.

Compulsory unemployment insurance contributions

Unemployment insurance contributions (UIC) are due on the employment income of individuals holding employment agreements with local companies. As such, employers are obliged to make a payment of UIC at a rate of 0.5% of employees' gross salary plus withhold 0.5% from their salary and pay the total amount (1% of gross salary) to the Unemployment Fund.

Compulsory medical insurance contributions

Compulsory medical insurance contributions are determined based on taxable monthly income:

- ▶ Below AZN8,000 - 2% at the expense of the employee and 2% at the expense of the employer
- ▶ Above AZN8,000 - 0.5% of the amount exceeding AZN8,000 plus AZN160 at the expense of the employee and same amount at the expense of the employer

Contributions are to be withheld at source and remitted to the State Agency for Compulsory Medical Insurance by the employer.

3. Employment obligations

Labor Law

Labor relationships are regulated by the Labor Code of Azerbaijan (LCA), respective decrees of the cabinet of ministers, acts of the Ministry of Labor and Social Protection of the Population, and other related legal acts. The LCA presents the list of provisions that should be duly reflected in the Employment Agreement, including employee's labor conditions, i.e., working and rest hours, wage or salary and adjustments, duration of labor vacation, labor protection, and social and other types of insurance. The Employment Agreements are subject to compulsory electronic registration with the e-gov system. Moreover, there are several restrictions set by the labor legislation with regard to minimum monthly salaries (i.e., AZN345), the minimum amount of annual vacation days (i.e., at least 21 calendar days), working hours, obligation of the employer to implement health and safety rules, and payments for overtime, etc.

Apart from the above, the Migration Code regulates the labor activity of foreigners and stateless persons in the Republic of Azerbaijan. Obtaining a work permit (with certain exemptions) and a temporary residence permit are requirements for foreigners and stateless persons who will be involved in employment in Azerbaijan.

The Ministry of Labor and Social Protection is the state authority responsible for implementing labor policy and supervising compliance with labor legislation.

4. Payroll requirements

Salary and compensations

The salary of the employee comprises wages and salaries, payments or benefits received by an individual in respect of employment. In general, any type of benefit represents taxable income to the individual. Notably, business-related expenses, as well as meals, accommodation, entertainment and other expenses of a social nature paid by an employer are exempt from taxation, however, these can be subject to social contributions.

Pay slips

The LCA stipulates minimum requirements with regards to the format of pay slips:

- ▶ The total amount of salary calculated
- ▶ Supplements to salaries, bonuses and other payments, their types and amounts
- ▶ Amounts deducted from salaries – description, type, reason and amount of deductions
- ▶ Amounts actually paid
- ▶ Parties' outstanding payables to one another and the amounts

Compensation schedule

According to the LCA, monthly salaries should be divided into two parts (advance and remaining portions of the wage) and paid to employees twice a month with an interval not exceeding 16 days. Annual salaries should be paid not less than once a month. However, other payment terms for salaries may also be stipulated under the agreed employment contract. The employee's salary may be considered either on the basis of the amount of work performed or hourly tariff criteria which should be defined under the agreed employment contract.

5. Banking requirements related to payroll

The LCA stipulates that salaries should be remitted to the employees based on the requirements of the Law on Cashless payments. Based on the said law, all employers, with the exception of those engaged in retail, catering or services sector and having turnover of less than AZN200,000 within any 12 months interval, should pay salaries and other payments to the employees via cashless transfer, i.e., to the employees' bank accounts.

Foreign exchange control

Under the LCA, salary, as well as supplements hereto, awards and other payments to employees should be made in the local currency, Azerbaijani manats (AZN).

Meanwhile, it should be noted that Production Sharing Agreements (PSAs) grant different exemptions for companies involved in oil and gas operations. For instance, these companies, under certain conditions, may pay the salary in foreign currency.



1. Government requirements

Bahraini Labor Law

On 26 July 2012, the King of the Kingdom of Bahrain issued Labor Law, No. 36 of 2012, replacing the old labor law (Labor Law No. 23 of 1976). The new law has been aligned with several Arab and international labor treaties and conventions to which Bahrain is a signatory, and which have come into effect over the last 36 years.

The new law revitalizes the private sector labor market by granting additional rights to employees. These rights include improvements in working conditions, creating better investments, preventing human trafficking through introducing and imposing clear contractual terms for employing domestic staff and prohibiting discrimination practices such as discrimination in the payment of wages based on sex, ethnic origin, language, religion, beliefs, etc.

The law also introduced enhancements in annual leave, maternity leave, sick leave entitlement, labor dispute resolution, and other topics.

Employment contracts

Under the new labor law, an employment contract must be in writing, in Arabic and in two copies, with each party receiving a copy. If the contract is drafted in a foreign language, a translated version must be attached.

It must comply with the labor law and its amendments, in addition to any other relevant laws, regulations, and orders. Any terms or conditions that do not conform to Bahraini law will be deemed null and void, unless they are more favorable to the employee.

Ongoing compliance requirements

There is currently no Personal Income Tax (PIT) in Bahrain on earnings from employment. However, social insurance is applicable in Bahrain (as described below) to every individual employed in Bahrain, with monthly contributions made toward compulsory insurances. For Bahraini employees, these contributions are made against a pension fund and work-related injuries. For expatriate employees, it is for work-related injuries. Social insurance contributions must be paid in local currency.

2. Pension requirements

Registration requirements

All Bahraini and expatriate employees are required to register with the Social Insurance Organization (SIO).

The documents required for registration are:

- a. Copy of the employer's Central Population Registry (CPR)
- b. Copy of the Commercial Registration Certificate (CR) of the company
- c. Copy of employment contract

Registrations and employment contracts for Bahraini employees are made online via the SIO portal. Other tasks that can be done, using an administrative account, by the employer via the SIO portal are the registration or deregistration of Bahraini employees, annual update of salaries, payment of monthly social insurance contributions, payment of health insurance, etc.

EY contacts

Rashid Anwar

T: +973 1751 4766

E: rashid.anwar@bh.ey.com

Muhammad Adeel

T: +973 1751 4757

E: Mohammad.adeel@bh.ey.com

Registrations and employment contracts for expatriate employees are made online on the Labour Market Regulatory Authority (LMRA) portal. Once an expatriate is registered with the LMRA, his details will automatically be reflected in the SIO records and will be registered at the SIO database.

All Bahraini employees registered with the SIO are eligible for pension as per the provisioning law of the SIO.

Pension salary is collected at the time of retirement, and it will vary depending on some variables such as age, number of years of service, average salary of the last three years of employment, etc.

The formula used to compute the estimated pension salary is: Average salaries for the last 36 months*Years of service*0.02.

Ongoing compliance requirements

Following the enforcement of SIO Law No. (14) of 2022, the insurance premium contribution of the employer for Bahraini employees' wages has increased by 2%, moving from 12% to 14%, effective from May 2022. Moreover, an annual increase of 1% was implemented beginning January 2023 and will continue each year until January 2028, bringing the total employer's contribution share to 20%. The Bahraini employee's share also increased by 1% (from 7% to 8%), bringing the total percentage of the employee's share to 8% as of January 2023. Law No. (14) for the year 2022 applies to Bahraini employees only.

Contribution is calculated based on the monthly basic salary, bonus, and recurring allowances such as social (if any), housing, transport, and car allowance (referred as "wages").

Employer contribution is calculated at the following rates:

- ▶ Bahraini employees: 16%
- ▶ Expatriate employees: 3%

Employee contribution is calculated at the following rates:

- ▶ Bahraini employees: 8%
- ▶ Expatriate employees: 1%

* The rates above apply to wages that do not exceed a monthly cap of BHD4,000, subject to a maximum contribution of BHD960 for Bahrainis and BHD160 for expatriate employees. For employees whose wages exceed BHD4,000, the actual wages will be registered in SIO records, while the subscription/contribution will be calculated based on a maximum wage amounting to BHD4,000.

While Bahraini employees fall under the pension scheme at the time of retirement (pension salary), expatriates are

entitled to an end of service benefit EOSB/gratuity, and is computed as follows:

- ▶ Half a month's wage for each year of service for the first three years of employment (0-3 years)
- ▶ One month's wage for each subsequent year of employment (3+ years)

Edict (109) of 2023 regarding the end-of-service gratuity for expatriate employees working in the private sector was issued in December 2023 and is expected to be implemented effective 1 March 2024.

End-of-service gratuity monthly amounts will be computed based on the employee's basic wage in addition to the social allowance, if any, and it will be paid by the employer to the SIO.

The ongoing compliance of the pension scheme is monitored by SIO based on the criteria set in the provisioning law of SIO.

3. Employment obligations

LMRA

The LMRA regulates and controls work permits for expatriate employees and the self-employed, in addition to issuing licenses for manpower and recruitment agencies.

In line with its responsibilities to regulate the labor market in Bahrain, the LMRA has set a number of rules and regulations to control and organize the relationship between employers and their employees.

Leaves

Under the Bahrain labor law, all employees are entitled to different types of leave.

Annual leave

All employees are entitled to 30 calendar days annual leave with full pay. An employee may not waive this entitlement, or receive payment in lieu except in accordance with the law and on termination of employment.

Sick leave

In the event of illness, which has to be certified by an approved doctor or hospital, an employee, subject to completion of three months of consecutive employment, is entitled to a total of 55 absences during each year of employment. This is divided as follows:

- ▶ Fifteen days with full pay
- ▶ An additional 20 days with half pay
- ▶ A further 20 days without pay

Pilgrimage leave

A Muslim employee, who has been employed for five consecutive years, is entitled to a leave of 14 working days with full pay, once during his or her period of employment, to perform his or her "Haj" pilgrimage duty.

Maternity leave

A female employee is entitled to maternity leave of 60 calendar days with full pay and this period may be extended by a further 15 calendar days without pay. On her return, and until her child reaches six months of age, the employee is entitled to two breastfeeding periods per day of not less than one hour each. The employee is also entitled to two periods of half an hour per day to provide care for her child until her child reaches one year of age.

4. Payroll requirements

Payroll requirements are governed by the labor law. There is no specific guidance for pay slips. However, in general practice, pay slips are released to employees monthly.

An annual health insurance fee of BHD22.5 must be paid by the employer for each Bahraini employee. If the employer already provides medical/health insurance to its staff, the health insurance fee can be disregarded.

5. Banking requirements related to payroll

It is mandatory to have a local employment contract.

Every employer must pay the wages of employees via wire transfer to employees' bank accounts and in Bahraini Dinar.

Belgium

B



1. Government requirements

Registration requirements

All companies that intend to employ personnel subject to the Belgian social security scheme and/or Belgian withholding taxes, must be registered toward the following institutions:

- ▶ The Belgian Company Database/Trade Register (Kruispuntbank voor Ondernemingen/Banque-Carrefour des Entreprises, KBO/BCE) in order to obtain a company number;
- ▶ In the event Belgian social security contributions will be due: the Belgian social security authorities (Rijksdienst voor Sociale Zekerheid/Office National de Sécurité Sociale, RSZ/ONSS) to obtain a social security number;
- ▶ In the event Belgian withholding taxes will be due: the Belgian tax authorities (Federale Overheidsdienst Financiën/Service Public Fédéral Finances)
- ▶ A (recognized) payroll agency
- ▶ An External Service for prevention and protection at Work, responsible for undertaking medical examinations of specific categories of employees and regularly inspecting the conditions of hygiene at the place of work
- ▶ Conclude an occupational accident insurance with a recognized insurance company in Belgium

When an employer employs staff in Belgium, this employer needs to be registered with several agencies, being:

- ▶ Registrations that are compulsory for employers that employ employees subject to Belgian social security
- ▶ Registrations that are compulsory for employers that employ employees subject to Belgian wage withholding tax
- ▶ Other compulsory registrations

2.1 Registrations when employing employees subject to Belgian social security

When employing personnel subjected to Belgian social security contributions, it is obligatory to register with the following institutions:

- ▶ The Belgian Company Database/Trade Register (Kruispuntbank voor Ondernemingen/Banque-Carrefour des Entreprises, KBO/BCE) in order to obtain a company number;

All companies employing staff subject to the Belgian social security scheme must be registered with the Belgian Company Database/Trade Register to receive a company number.

For this registration, several documents are required such as the articles of association, a scan copy of the passport of the representative of the company etc.

- ▶ The Belgian National Social Security Office - NSSO (Rijksdienst voor Sociale Zekerheid/Office National de Sécurité Sociale, RSZ/ONSS)
All companies employing staff subject to the Belgian social security scheme must be registered with the Belgian NSSO. This is the department responsible for collecting the social security contributions.

Via the so-called "WIDE" portal an employer who has not been registered with the NSSO yet can already electronically obtain a temporary registration number which becomes final after all relevant documents are provided. The "WIDE" portal is integrated with the DIMONA (electronic notification of employment to the NSSO) portal, enabling a new employer to obtain a temporary NSSO

EY contacts

Valerie Van Aerschot
T: +32 (0) 474 74 35 33
E: valerie.van.aerschot@be.ey.com

Christine Boeckx
T: +32 (0)478 50 77 14
E: christine.boeckx@be.ey.com

registration number and notify the employment of his first employee at the same time.

Each quarter, the employer must ensure that a declaration (DmfA declaration) is filed toward the NSSO. In this declaration the employer needs to make sure that the employment details are being reported and that all social security contributions are paid. This concerns both employer's contributions and the employee contributions at 13.07% of the gross salary (for white-collar employees). The employee's social security contributions must be deducted each month by the employer from the employee's gross salary via the monthly payroll run.

The percentages for calculating employer social security contributions may differ depending on the relevant joint committee and the NSSO code in Belgium (range from 24% - 29% uncapped).

- ▶ A payroll agency or payroll service provider for running the monthly payroll
- ▶ The external service for prevention and protection at work

Each company employing staff in Belgium also must be affiliated to a Belgian external service for prevention and protection at work.

The service advises the employer on health and safety conditions at work.

In addition, for companies employing less than 50 employees in Belgium, the prevention adviser must also be part of this external service for prevention and protection at work under the well-being at work legislation.

The external service for prevention and protection at work involves the following:

- ▶ Safety measures on the work floor;
- ▶ Organisational measures;
- ▶ Preventive measures to protect staff against violence, bullying and sexual harassment at work;
- ▶ Making a doctor's appointment for the staff.

It is not obligatory to affiliate to a Belgian external health and safety service if the foreign employer is already affiliated to a comparable institution in its country of origin, provided that this service is competent and sufficiently knowledgeable to assist the foreign employer in complying with the Belgian regulations on well-being at work.

In addition, under certain conditions, it is also possible to arrange these services internally.

- ▶ Occupational accidents insurance

Any employer employing staff subject to the Belgian social security scheme is obliged to be registered with a work accidents insurance with an accredited insurance company in Belgium.

The insurance must enter into force no later than the day on which the first employee starts work. A work accidents insurance cannot be implemented retro-actively.

The premiums must be paid by the employer and depend on the level of salary paid and the risks coverage.

2.2 Registrations when employing employees subject to wage withholding tax

If the Belgian employer is paying the (net) salary or if the foreign employer has a taxable permanent establishment in Belgium, there is an obligation to retain monthly wage withholding tax from the employees' salaries. Further, the following affiliations are required:

- ▶ The Belgian Company Database/Trade Register (Kruispuntbank voor Ondernemingen/Banque-Carrefour des Entreprises, KBO/BCE) to obtain a company number (see point 2.2)
- ▶ Registering with the Direct Tax Office

If, further to employment in Belgium, the employer also has to deduct monthly wage withholding tax from the employee's salary, the employer also has to be registered with the Direct Tax Authorities and the Belgian Company Database/Trade Register (Kruispuntbank voor Ondernemingen/Banque-Carrefour des Entreprises, KBO/BCE) in order to obtain a Belgian company number. Via this company number, the employer can file monthly wage withholding tax declarations and make the necessary payments.

- ▶ A payroll agency or payroll service provider for running the monthly payroll (see point 2.2)
- ▶ The External service for prevention and protection at work (see point 2.2)
- ▶ Occupational accidents insurance (see point 2.2)

Note that this insurance is only required in case also social security contributions are due.

2.3 Other agencies to be signed up to

- ▶ Social insurance fund for self-employed

Each company subject to Belgian corporation taxation is legally required to join up to a social insurance fund for self-employed in the context of the payment of the annual corporate contribution.

Note that if the foreign employer has a taxable permanent establishment in Belgium, the profit attributable to that permanent establishment is subject to Belgian corporate taxation. Meaning, the foregoing obligation also must be complied with.

Ongoing compliance requirements

a. Notification at the start and end of the employment

Dimona

The Belgian authorities must be notified of the start of the employment with the legal employer by means of the Dimona declaration (Dimona-IN). This is an online social security registration platform that reports limited and basic data about the employee to the authorities. The platform confirms that the employee is legally employed by the company, resulting in a specific employee social security number being granted to each employee.

The same obligation arises when the employment is terminated-the Dimona-OUT declaration must be filed confirming the end date of the employment with the legal employer.

The notification on the start of employment must be made no later than the time at which the new employee starts work. The notification created on the cessation of employment must be prepared no later than the first working day following the last day of employment.

Dimona without DmfA

Dimona without DmfA allows employers to also submit Dimona notifications for employees who are not subject to

Belgian social security and, therefore, do not appear in the electronic DmfA declaration.

Most common cases where a Dimona without DmfA is required are the seconded employees who become subject to the social security scheme of the host country.

Limosa

A foreign company enrolling an employee temporarily or partly in Belgium must notify the authorities of the employment (and its anticipated length) via the Belgian NSSO website before the actual start of activities in Belgium.

The upfront notification duty applies particularly to any employee who will be temporarily or partly employed in Belgium and either was (or still is) habitually active in one or more countries outside of Belgium or was hired in a country outside of Belgium.

However, some categories of foreign employees are exempted from this notification requirement (see http://www.international.socialsecurity.be/working_in_belgium/en/limosa.html).

If a notification is submitted for a foreign employee temporarily employed in Belgium, the employer has a 12-month exemption from having to prepare a number of employment documents. This 12-month period starts on the date on which the first employee to be hired in Belgium starts working.



During this period, the employer is not required to draft and keep a staff register or work regulations. Nor is the employer required to draft and keep an annual individual account and monthly pay slips, provided that there are comparable documents available according to the laws of the country of origin.

If the employer fails to make the Limosa notification, the user, for who the employee is working in Belgium, is obliged to notify the authorities of the relevant person's identity to the NSSO before the commencement of employment. If not, the user can be held liable for certain penalties, which is why users carry out stringent access checks in this respect.

b. Payroll and reporting to Belgian authorities

Social security contributions

In Belgium, both the employee and the employer are liable to pay social security contributions to the national social security authorities (NSSO, RSZ or ONSS). These contributions are calculated on the gross remuneration. Both employee and employer contributions are uncapped.

The employer is obliged to withhold the employee's social security contributions from the monthly gross salary of the employee through the payroll.

The employee's social security contributions amount to 13.07%, whereas the employer's contributions amount to approximately 25% of the gross salary (for white-collar workers in the private sector).

In order to effectively pay the Belgian social security contributions (both employee and employer contributions), the legal employer is obligated to:

- ▶ Complete the mandatory quarterly social security declarations (declaration of remuneration granted to the employee and the calculation of contributions to be paid) toward the Belgian social security authorities
- ▶ Pay the resulting contributions due to the Belgian social security authorities on a quarterly basis

As the quarterly social security declarations are highly complex, most companies in Belgium outsource these to a recognized payroll agency as part of the payroll process.

The employer must make the aforementioned payments to the NSSO on a quarterly basis. The contributions must be received by the NSSO no later than the last day of the month following the quarter to which the contributions relate to:

First quarter	Second quarter	Third quarter	Fourth quarter
30 April	31 July	31 October	31 January

The law requires the employer to make prepayments on contributions due for the current quarter (Q) in Q2, if the total employer's social security contributions exceeded EUR4,000.



The prepayments for a particular quarter amount to approximately 30% (depending on the quarter to which it relates) of the social security contributions that were due in the same quarter of the previous year.

The difference between the sum of the monthly prepayments and the total amount of social security contributions due during the current quarter must be received by the NSSO no later than the last day of the month following the quarter concerned.

Overview of the final NSSO payment due dates:

Nature of the payments	First quarter	Second quarter	Third quarter	Fourth quarter
First monthly prepayment	5 February	5 May	5 August	5 November
Second monthly prepayment	5 March	5 June	5 September	5 December
Third monthly prepayment	5 April	5 July	5 October	5 January
Fourth payment of the balance	30 April	31 July	31 October	31 January

Withholding taxes

Belgium applies progressive tax rates, meaning the higher the income, the higher the applicable tax rate. The Belgian tax calculation consists of both federal and regional taxes.

In general, the income of an individual can be divided in:

- ▶ Immovable income
- ▶ Movable income
- ▶ Diverse (miscellaneous) income
- ▶ Professional income

The fourth type of income, professional income, takes into account the remuneration received through the Belgian payroll during a certain income year and is reported on a Belgian tax Fiche (281.10 for employees).

The withholding taxes paid by the employees through their payroll will be offset against the final overall taxes due via the filing of an annual tax return.

The applicable withholding tax scales are published each year by the Belgian tax authorities taking into account the monthly taxable income of the employee.

Several factors have an impact on the total amount of withholding tax due, such as:

- ▶ Civil status of the employee
- ▶ Income of the spouse
- ▶ Number of dependent children
- ▶ Other dependent persons

Withholding taxes are calculated on the taxable salary, i.e., salary after deduction of the employee's social security contributions, and are included in the monthly payroll run.

The amount of withholding taxes due is payable by the legal employer on a monthly basis by the 15th of the following month.

Some types of remuneration granted by the employer are exempted from withholding tax due to the fact that these types of remuneration are:

- ▶ Not considered as salary (e.g., costs proper to the employer)
- ▶ Explicitly exempted from income tax by law and therefore also exempted from withholding tax
- ▶ Exempted in Belgium based on an international agreement
- ▶ A double tax treaty that allocates the right of taxation to the other jurisdiction (not being Belgium) also exempted from withholding tax

For some types of taxable remuneration, which in principle are subject to withholding tax, an exemption exists to deposit the withholding tax due on these types of remuneration to the tax authorities.

This exemption of deposit of the withholding tax will only be allowed in specific cases and insofar specific conditions are met, such as:

- ▶ Compensation for overtime
- ▶ Remuneration for researchers
- ▶ Remuneration paid by starting companies
- ▶ Qualifying night and shift work

For each of these types of remuneration, different conditions and exemption rules exist.

2. Pension requirements

In Belgium, pension entitlements are divided in three main pillars:

- ▶ First pillar: statutory pension
- ▶ Second pillar: pension provided by the company (group insurances or pension funds)
- ▶ Third pillar: pension savings taken care of by the individual on his own initiative

a. Statutory pensions

There are two types of statutory pensions based on the Belgian social security scheme:

- ▶ Old-age pension: granted to individuals at the end of their professional career
- ▶ Survivor's pension: granted to widows or widowers based on the professional career of their deceased spouse

For employees, both types of statutory pensions are funded via the payment of both the employee's and the employer's social security contributions.

b. Group insurances or pension funds

It is not mandatory for an employer to offer the employees a pension coverage, unless this is prescribed by the sectoral regulations of the joint committee the company resorts to.

Although a company-provided pension plan is not mandatory, companies in Belgium often offer this benefit as the treatment of the contributions into the pension plan are considered in a beneficial way from a social security and tax perspective.

Ongoing compliance requirements

As statutory pensions are funded by the social security contributions, no specific action is required.

Company-provided pension plans usually define the contribution amounts as a certain percentage of the employee's gross salary (defined contribution plans). The regulations regarding the contributions, payment method, frequency and so on, are defined in the pension regulation or group insurance contract concluded with the pension fund or insurance company.

On the employer-funded contributions, a tax of 4.4% is due, as well as a social security contribution of 8.86%. The group insurance contributions are tax deductible (if compliant with the requirements in this respect).

3. Employment obligations

Companies must comply with all regulations which are determined either on a national or sectoral level. Furthermore, by taking into account the national or sectoral regulations, companies may decide to draft specific agreements on company level as well.

As the Belgian regulations are very extensive, it is impossible to include a general overview of all regulations to keep in mind when employing personnel in Belgium.

Some of the key topics to consider as an employer in Belgium are the following:

- ▶ Working hours and periods of rest
- ▶ Salary, minimum wages and granting certain salary elements (e.g., year-end premiums)

- ▶ Public holidays and vacation regulations
- ▶ Well-being of the employees
- ▶ Nondiscrimination
- ▶ Protective measures of certain employees (e.g., pregnant women)
- ▶ Correct and timely draft, and signing of employment contract

This list only serves as an example and is not complete.

4. Payroll requirements

Pay slips

The employer is obliged to provide pay slips to its employees to enable them to review the calculation of their monthly salary, the benefits included and to check which deductions were applied.

A pay slip needs to be drafted each time an amount is paid out to the employee (e.g., monthly salary, vacation payments, bonus payment and year-end premium)

Holiday pay

The payment of the annual leave consists of two parts:

- ▶ The normal salary for the legal holidays (single holiday allowance): The employee will be entitled to his normal salary while he or she takes vacation.
- ▶ An allowance equal to 92% of one month salary (double holiday pay): The law states that this is paid at the moment the employee takes up his or her main annual leave, but in practice, all employers pay out this allowance to everyone in the same month (e.g., May or June).

The calculation of the vacation pay is rather complex, as it is composed of a fixed and variable part, and it is also to be divided in different parts as the social security treatment is not equal for the entire amount. The fixed part of the vacation pay is calculated based on the regular salary, increased with any fixed gross payments and benefits in kind. The variable part is to be calculated based on the variable pay (e.g., bonus and commissions) paid during the preceding 12 months.

Year-end premium

Employees are entitled to the payment of a year-end bonus insofar this is provided for in a source of law.

Neither in the federal labor law legislation nor in a collective bargaining agreement concluded at the level of the National Labor Council ("Nationale Arbeidsraad or Conseil National du Travail") applicable for all joint committees, there exists an entitlement to the payment of a year-end bonus. Consequently, it should be checked whether such provisions exist at the level of the joint committee, the company or individually per employee.

The year-end bonus is usually paid at the end of the year (also known as the 13th month). In most companies and joint committees, the amount of the year-end bonus is equal to one month's salary or a prorated amount of one month's salary, if the employee started working for the company during the year and under condition that a minimum seniority within the company is attained.

Year-end documents

Each year, an employer must draft individual tax forms and summary statements.

This entails that expenses, such as remuneration, commission payments and benefits in kind, should be reported on these tax forms and summary statements. Depending on the type of income, a specific individual tax form is drafted.

For the regular remuneration of employees, the tax form 281.10 (which includes all remuneration that has been paid out during the last calendar year) and the corresponding summary sheet 325.10 (summary of all individual tax forms 281.10) must be drafted.

The employees must use their individual tax form 281.10 to complete their annual tax return. The summary sheet 325.10 is intended for the Belgian tax authorities.

5. Banking requirements

If the employee performs his professional activities in Belgium, the salary should be paid out in euro, the official Belgian currency.

If the employee performs his professional activities partially abroad, he is free to choose to receive his salary in euro or the currency of the country where the activities are performed.

Salaries can be paid out by wire transfer to a bank account, by cashier's check or by postal draft. Cash-in-hand payments are in general no longer allowed (certain exceptions are applicable).

Salaries must be paid out on a regular basis and at least once per month (for white-collar workers) or twice per month (for blue-collar workers).

The ultimate pay-out date can be determined by collective labor agreements, the work regulations of the company or by taking the Belgian national legislation into account.

In general, companies determine the pay-out date in their work regulations. In this respect, the payment of the salary should be finalized by the seventh working day following the end of the month.

General remark: Please note that the information provided is general information and cannot be applied in all payroll cases, as specific sector rules might be applicable. Further, the above rules are applicable on white-collar workers. When running payrolls for blue-collar workers or when dealing with self-employed personnel, other rules and regulations need to be verified.



1. Government requirements

Registration requirements

In order to set up a company in Brazil, the first step is to obtain a Taxpayer ID (CNPJ). After that, the company will be able to register before the Brazilian internal revenue service (IRS) and before the Brazilian Board of Trade (Junta Comercial) of the state where it is setting up its operations.

For payroll purposes, other specific registrations are mandatory:

- ▶ Registration before the Brazilian IRS: the attorney elected by the company must make this application. To do so, a Power of Attorney (PoA) must be granted to the elected legal representative who needs to be resident and domiciled in Brazil.

This first step is to send the appropriate forms and documents with the foreign company's information via internet with the request form, a copy of the Articles of Incorporation and the PoA granted to the legal representative, giving powers to represent the company before the Brazilian IRS in all matters. Note that the Articles of Incorporation and PoA must be translated by a sworn translator and duly legalized.



EY contacts

Tatiana Carmona

T: +55 11 2573 3740

E: tatiana.carmona@br.ey.com

Ana Spilari

T: +55 19 3322 0560

E: ana.spilari@br.ey.com

Payroll team

E: brasil.payroll@br.ey.com

After registering before the Brazilian IRS, the company will be able to obtain a password for the social security account with the National Social Security Institute (INSS). In addition for compliance purposes, the company must have a book, containing all the company information, for registration of labor inspections. This book will be required in case of labor inspection and access must be given to the public prosecutor when required.

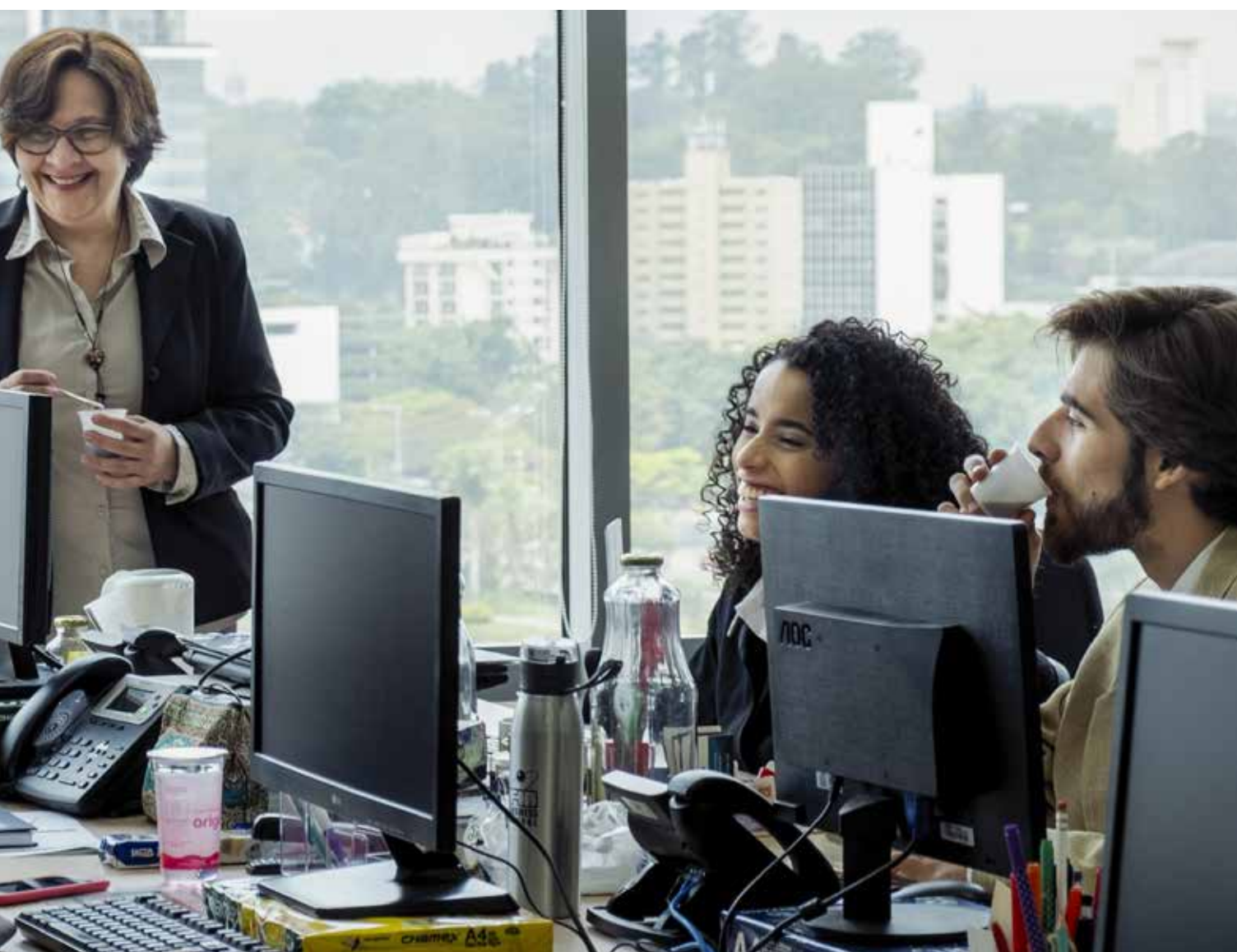
When all the registrations have been made, the company will be able to start hiring employees. It will then have other obligations, including:

- ▶ Registration of its employees with the Social Integration Program (PIS) through the Digital Certificate of the company. A Digital Certificate is an electronic "password" that allows the organization to exchange data securely over the internet using the Public Key Infrastructure (PKI).

- ▶ Register the Taxpayer ID before the Labor Ministry (Ministério do Trabalho); an electronic PoA will be requested
- ▶ Register the Taxpayer ID before the Caixa Economica Federal Bank; an electronic PoA will be requested
- ▶ Register the Taxpayer ID before the Brazilian IRS; an electronic PoA will be requested

Registration requirements related to Union

After obtaining all mandatory registrations before the government bodies, the Brazilian labor law also requires that companies register before the Labor Union that corresponds to the main activity of the company (some specific rules must be observed), and which will represent and ensure the labor rights of the employees.



Some occupations that are expressly regulated should observe the corresponding specific labor union, even if the main activity of the company is different. Therefore, when determining the applicable labor union and the respective Collective Bargaining Agreement, it is important to carefully analyze the position of each employee and if it would trigger a specific union.

Once the applicable union is identified and the corresponding register is made, the employer must observe all rules determined by the Collective Bargaining Agreements which are documents negotiated among the union representatives of the employers and the employees. Also, a company may negotiate agreements directly with the union, related to specific matters, such as profit sharing program, bank of hours, among others.

Ongoing compliance requirements

Monthly payroll

In Brazil, employees' compensation is subject to several contributions. It is important to evaluate each payroll wage type and its nature in order to conclude whether each contribution or tax is due. Contributions and tax due on payroll, in general, are the following:

a. Social security contribution:

- i. Employer's contributions
 - ▶ 20% paid monthly, except in specific cases in which this contribution may or is substituted by a percentage due on the gross revenue
 - ▶ Work Accident Insurance: variable from 0.5% to 6.0%. It has a component related to the company's main activity which may be 1%, 2% or 3% and a factor that multiplies the main rate, calculated according to each company's work accidents information (varies from 0.5 to 2.0). In case of employees eligible to special retirement (shorter work period required), there is an additional that varies between 6%, 9% and 12% .
 - ▶ Contribution due to third party institutions that may reach 5.8% or even 6%
- ii. Employee's contribution: there is a monthly withholding contribution that varies according to the compensation amount.

b. Employees' Severance Fund - FGTS: it is a mandatory deposit made by the employer in a bank account, equivalent to 8% on the monthly compensation.

c. Withholding Income Tax: it is a monthly withholding due on the total income received by the employee that varies from exempt to 27.5%.

In addition to the monthly contributions and tax, employers must comply with specific reporting to the Government:

a. eSocial: it is an electronic report made in a specific layout, comprising workforce information, such as admissions, terminations, monthly payroll, among others.

As of 2022, there are also health and safety information to be included on eSocial, such as work accident. From January 2023 (timeline may vary by company), additional health and safety information will be mandatory on the eSocial environment, such as the description of risks existent in the workplace, demanding integration among departments and appropriate technology. As from October 2023, Labor Claims information is also mandatory on eSocial.

b. DCTF Web: It is a monthly electronic reporting tool, comprising the total social security contribution as well as WHT amounts due.

c. GFIP: It was the previous way companies reported both social security contribution and FGTS calculation basis. Nowadays, most of the companies report social security contribution on DCTF Web and GFIP is used to report mainly FGTS. However, GFIP will no longer be used from 2024.

Year-end requirements

In Brazil, there are annual payroll obligations that the company needs to comply with.

The first is the "13th salary", or Christmas bonus, which is an extra salary paid to the employees at the end of the year. Employees who have worked for the 12 months are entitled to receive the full payment, while those who have worked for part of the year will receive a payment proportional to the period worked.

Another annual requirement is the Annual Withholding Income Tax Return - DIRF. It comprises the WHT calculation basis and tax withheld on payroll (it also comprises other sources of WHT, not directly related to payroll, which makes this obligation very complex as it involves different departments of the company in most of the cases). The WHT Return will be eliminated starting from the calendar year 2024. However, the obligation pertaining to the calendar year 2023-24 Will still remain in effect.

2. Pension requirements

Registration requirements

Usually, all employees are registered at the Social Security Institute by the employer, upon the first job admission. After registration, the employee has a social security number called PIS, which is used to register the employee on payroll and make the corresponding payment of social security contributions.

3. Employment obligations

General employer obligations

The Brazilian Consolidation of Labor Laws establishes a series of rights to employees. In addition to those, Collective Bargaining Agreement may determine additional rights that must be observed, as well.

The main employer obligations determined by Law are the following:

a. Working hours

Working hours are restricted to eight hours per day, with a maximum limit of two overtime hours. Additionally, the weekly limit is 44 hours per week.

Specific activities may be subject to specific work time regimes, such as six works per day (e.g., call center activities).

The CLT also establishes that the working hours should be registered and controlled by the employer. However, the law exempts external employees and employees holding positions of trust as well as employees working under remote work regime (e.g., managers) from that rule. Also, the register of work time is mandatory in case there are more than 20 employees in the company.

Overtime hours must be paid with a 50% additional on the regular hour. Usually, collective labor agreements stipulate higher overtime additional that must be observed and reflected on payroll.

b. Paid weekly rest and lunch period

In any continuous work that lasts over six hours, the employer shall grant to the employee a rest period of at least one hour. For employees working from four to six hours, the rest period is at least 15 minutes.

In case there is suppression of the said intervals, the suppressed time should be paid as overtime.

Between one workday and the next, the employee is entitled to a minimum of 11 hours' rest. Also, the employee is entitled to a paid weekly rest (DSR) of 24 consecutive hours.

c. Night work

As a rule, work performed between 10 p.m. to 5 a.m. the next day is considered as night-work. The night-work hour is reduced to 52 minutes and 30 seconds, therefore, seven hours' work at night are equivalent to eight hours during the day.

Besides, the remuneration for night-work is at least 20% more than for work performed during the daytime.

d. Vacation

According to the Brazilian legislation, vacation is the annual leave period, which must be granted to the employees after one year of work for the company. After 12 months of work, the employee has the right to rest for 30 days. Such vacation period should be granted in the following 12 months after the right is acquired. The employee is entitled to receive the payment of one monthly salary plus one-third of it (constitutional right).

It is important to mention that the vacation payment must be occur up to two days before the leave period starts and the communication of the vacation period must be provided 30 days in advance.

e. Prior notice

Any party that terminates the employment contract without justified reason must give the other party a 30-day prior notice (art. 487 from "CLT"-Consolidated Labor Law), through a written letter signed by both parties. If not, the company or the employee must be indemnified the corresponding period (one month's salary).

During the prior notice period, the dismissed employee (without justified reason) is allowed to reduce the daily workday by two hours, or to be absent seven consecutive days, without reduction of the due payment.

Additionally, if the employer chooses to excuse the employee from work during the prior notice period and pay, in turn, an indemnity for such period, severance must be paid within ten days as of the notice of dismissal.

As for the prior notice days, in case an employee worked less than a year in the company, he or she will be entitled with a 30-day prior notice period. On the other hand, for each complete year of work, three days are added to the prior notice to be granted by the company (e.g., an employee that worked for three years must have 36 days as a prior notice period). The maximum period of a prior notice is 90-days. Such additional period is usually paid by the company as prior notice indemnity.

f. Work contract termination

The payment of severance pay must be made in up to 10 days after the work contract termination. And the termination of a work contract and the related payments must be formalized through eSocial.

Also the employee's Workbook ("Carteira de Trabalho") must be updated with the termination of contract information.

It is important to highlight that there are other types of work contract termination. Some examples could be a dismissal with justified cause (when there is a serious fault by the employee, listed in the Art. 482 from the "CLT"), indirect dismissal (when there is a serious fault by the Company, listed in the Art. 483 from the "CLT"), company bankruptcy, common agreement between the parties, among others. All the procedures are listed in the Brazilian Consolidated Labor Laws and termination payments may vary.

4. Payroll requirements

Statutory payroll requirements

The company must prepare the monthly payroll registering the amounts paid to employees, as well as the deductions. Payroll should also comprise the payments made to independent contractors.

Considering the complex Brazilian Labor and Social Security Legislation, it is crucial to make sure there is an effective compliance process adopted on payroll processing, as well as an efficient system, since information needs to be transmitted to the Government in a specific format.

5. Banking requirements related to payroll

Salaries are paid by wire transfer. Salary payments must be made in local currency, Brazilian reais. The employee must open a bank account and provide the account information to the company.



1. Government requirements

Registration requirements

Tax registration and payroll tax withholding

All companies in the Kingdom of Cambodia are obligated to register with the General Department of Taxation (GDT) to get a VAT certificate, patent tax certificate, VAT Tax Identification Number and Tax ID card.

In January 2019, the concept of a personal income tax (PIT) regime was introduced in the Law on Financial Management for 2019. Under this regime, individuals, including employees, will be subject to PIT on their taxable income earned in the tax year (i.e., total income after allowable deductions). However, an official announcement as to when the PIT will be implemented, and the details of the deductions that will be allowed and the tax collection mechanism has not been released yet. For this reason, the Cambodian tax authorities rely mostly on the withholding mechanism (i.e., withholding agent) to tax individuals who are liable to Tax on Income (TOI) in Cambodia.

For individuals (employees) who receive income from providing employment services in Cambodia, the Cambodian tax authorities introduced a Tax on Salary (TOS) and a Tax on Fringe Benefits (TOFB). A registered employer is required to be its employees' withholding agent by fulfilling the following requirements:

- ▶ Withhold tax from the employees' salary payment
- ▶ Declare the tax to the GDT and report the status of the tax withheld to the employees
- ▶ Keep and maintain books and records as required by the regulations

Registration with National Social Security Fund (NSSF)

Companies that are established in Cambodia must be registered with the National Social Security Fund within 30 days from the commencement of operations to receive a NSSF ID.

Ongoing compliance requirements

Monthly payroll tax

TOS: Resident and nonresident individuals are subject to TOS on income from their employment activities and withholding tax on certain other types of income. Resident individuals are subject to TOS on their worldwide employment income, while nonresident individuals are subject to TOS on their Cambodian-sourced employment income only.

Effective from 1 January 2023, the following table presents TOS rates imposed on the monthly taxable salary of resident individuals.

Monthly taxable salary (KHR)	Rate (%)
1,500,000 or less	0
1,500,001 to 2,000,000	5
2,000,001 to 8,500,000	10
8,500,001 to 12,500,000	15
12,500,001 or more	20

A nonresident employee is subject to tax at a flat rate of 20% on his or her Cambodian sourced income

EY contacts

Robert M King
T: +84 8 38245252
E: robert.m.king@vn.ey.com

Reangsey Darith Touch
T: +855 23 860 450/451
E: reangsey.touch@kh.ey.com

TOFB: The responsibility to withhold and pay TOFB lies with the employer. The fringe benefits are taxable at a rate of 20% on the total value of the benefits provided. The value of the fringe benefits is determined at the fair market value inclusive of all taxes.

The deadline for the tax payment and submission of the monthly TOS and TOFB return to the tax authority is by the 20th for manual submission and 25th of the following month for e-filing submission.

NSSF

An employer is required to contribute two kinds of social securities:

- ▶ Occupational Risk Contribution: the risks include work-related accident, accident while commuting directly to or from the workplace and home and occupational diseases. The contribution is equal to 0.8% of the monthly average wage of an employee to the NSSF's designated (maximum KHR1,200,000); and
- ▶ Healthcare Scheme Contribution: This refers to social health insurance including benefit provision, health prevention, medical care services, provision of daily allowance for being absent from work due to sickness or accident and maternity leave. The contribution is equal to 2.6% of the monthly average wage to the NSSF's designated (maximum KHR1,200,000).

The deadline for the payment and submission to the NSSF is by 15th and 20th of the following month, respectively.

2. Pension requirements

On 4 March 2021, the Cambodian Government issued Sub-Decree 32 to introduce a pension scheme in Cambodia. Enterprises employing one or more employees will be obliged to register with the NSSF for the pension scheme within 30 days after the effective date of Sub-Decree (i.e., 4 March) except for enterprises that have already registered with the NSSF. Also, all new employees are required to register with the NSSF for the pension scheme within three days from the date of employment.

For the first five years of implementation, the pension shall be equivalent to 4% of the gross monthly salary of the employee, where 2% shall be borne by the employer and 2% by the employee. Then the pension will be increased to 8% (employer 4% and employee 4%) in the next five years (10/2027-09/2032) and 10.75% (employer 5.375% and employee 5.375%) in the next 10 years (10/2032-09/2042). 2.75% is required to be added in every next 10 years. This pension is compulsory to contribute, but the employee can also volunteer to contribute addition pension (i.e., voluntary pension contribution).

The pension is refundable at the age of 60 if no unforeseen event incur.

3. Employment obligations

Employment requirements

Enterprises are required to apply for an employment card together with an employment identification card for each local employee. For foreign employees, they are required to apply for a quota and work permit from the Ministry of Labour and Vocational Training (MLVT). Employers are also required to file a declaration of staff movement with the MLVT/Department of Labor and Vocational Training within 15 calendar days after the date of hiring or terminating employment.

Minimum wage and working hours

No minimum wage has been established by law except in the garment, textiles and footwear manufacturing industries, where the minimum wage for workers is USD200 per month, effective from 1 January 2023. The minimum wage is subject to change every year in accordance with the labor regulations issued by the MLVT.

The normal, legal working hours are eight hours per day or 48 hours per week. However, employees can work up to six days per week and must get at least one full day or 24 hours off per week, and this should normally be a Sunday. Employees are entitled to overtime pay which is limited to two hours per day. Overtime is compensated at 1.5 to two times the normal wage, depending on the time at which the overtime is worked.

Rest hour and leave entitlement

With respect to rest time and leave, an employer shall arrange a rest period or meal break for its employees during the workday from 30 minutes to one hour. Annual leave is set at one and a half days for each month of employment, resulting in 18 days of fully paid leave per year with an additional day for each additional three years of employment.

Employers are required to provide maternity leave of at least 90 days, during which the employee receives half salary if she has worked one continuous year or more for the enterprise.

Employees may be entitled to special leave to meet family needs such as wedding, funeral, etc. This is set at a maximum of seven days per year and these leave days can be deducted from the employee's annual leave, if such is available.

Sick leave may be permitted and compensated for, under the conditions set in the enterprise's internal work rule. Long term sick leave for illness certified by a qualified doctor is allowed for no more than six months.

Mandatory employee benefits

Employers with 100 or more female employees must either provide a nursing room and a childcare center for babies or pay for childcare if such a facility cannot be installed.

Severance pay and seniority payments

An employer needs to provide severance payments to its employees upon termination of employment under a Fixed Duration Contract (FDC), or at least 5% of the wage received during the period of contract. For an employment under an Undetermined Duration Contract (UDC), the employer must pay for the seniority indemnity.

4. Payroll requirements

Payroll payments must be made twice per month in which the first payment must be paid in the second week and the

second payment paid in the fourth week of each month as per following formalities:

- ▶ The first payment is equal to 50% of the monthly net wage
- ▶ The second payment is the remaining net wage plus other remunerations and benefits that the workers/employees have received in the month

Pay slips should be provided to the employees at the dates of payment.

5. Banking requirements related to payroll

Payments can be made by cash, check or via bank transfer to an employee's personal bank account. If paying by cash, the signature of the employee needs to be obtained.

Canada

C



1. Government requirements

Registration requirements

Opening a federal payroll program account with the Canada Revenue Agency (CRA)

In addition to the federal taxation statute administered by the CRA, there are ten provinces and three territories in Canada, each with their own taxation statute related to the taxation of individuals. All provinces, other than Quebec, have an agreement with the CRA to collect and administer, on their behalf, the provincial income tax applicable to employees. As such, registration is only required with the CRA for these nine provinces and three territories. Quebec has its own tax administration system, as discussed below.

Before hiring employees, the employer must open a payroll program account with the CRA. The payroll program account number will help to identify the company when dealing with the CRA. If an employer has a business number (BN) with the CRA (automatically provided upon incorporation for many provinces), then the payroll program account can be added to the BN, which is represented by 15 characters: a combination of the nine-digit BN, two letters for the type of account (for payroll, the letters are RP), and four numbers for a specific payroll account (e.g., 0001). Depending on the business, the company can register for more than one payroll program account, if necessary. If an employer does not have a BN, then both this and a payroll program account can be applied for simultaneously, often at the time the corporate income tax account is being requested, after incorporation.

Opening a Quebec source deductions account

Before hiring employees, an employer must register for source deductions and obtain an identification number with Revenue Quebec (RQ). This applies to employers with employees reporting to work at a location or establishment in Quebec, or if not reporting to work at such a location, being paid by an establishment in Quebec. The RQ identification number will help to identify the company when dealing with RQ.

Workers compensation

The company must register with the workers compensation (WC) agency in the provinces and territories in which such programs exist and employees will report or be paid. The mandatory workers' compensation insurance programs will provide employees with income replacement and medical benefits in case of a workplace-related injury or disease. It may also assist the employer in avoiding or lowering the burden of lawsuits. Workers' compensation insurance is funded by employers in every province and territory of Canada on the basis of their payroll, industry sector and claim history.

Employer Health Tax

Apart from the workers' compensation programs, in some provinces of Canada, the employer is required to register and make a contribution toward the provincial universal health services program. The provinces of British Columbia, Manitoba, Newfoundland and Labrador, Ontario, Quebec and the Northwest Territories and Nunavut have such taxes.

EY contacts

Agnieszka Parent
T: +1 416 943 5522
E: agnieszka.parent@ca.ey.com

Deidre Meeks
T: +1 306 649 8397
E: deidre.meeks@ca.ey.com

Ongoing compliance requirements

Federal and provincial income tax

The employer is obliged to deduct federal and provincial income tax from every employee's pay and to remit this to the designated government authority on time. There is no age limit for the deductions, and no employer contribution is required. The tax is calculated according to the payroll deduction tables T4032 and T4008, updated by the CRA for a particular calendar year.

Employer information returns

Employers are required to complete an information return for each calendar year. The federal information return is form T4, while the Quebec equivalent is form RL-1. In these returns, the employer reports employee income and deductions, as well as employer contributions for the year. The information returns consist of a summary and a separate slip for each employee, a copy of which is to be distributed to the respective employee for use in preparing their personal income tax return. The deadline for submitting the information returns is the last day of February following the calendar year that the information returns relate to.

2. Pension requirements

Registration requirements

Canada Pension Plan (CPP) or Quebec Pension Plan (QPP)

Employers are obliged to contribute to the CPP at the same rate as the employee. Registration for source deductions for the CPP occurs through the payroll program registration with CRA. CPP is a mandatory deduction from each payment to an employee who is between 18 and 70 years of age, up to an annual maximum. There is an exception for employees who are over the age of 65 and elect to stop contributing to the CPP through form CPT30 (Election to Stop Contributing to the Canada Pension Plan). Quebec-based employees will make contributions, and have contributions made by their employer, into the QPP, which replaces the CPP requirement. Registration for the QPP occurs through the RQ source deduction registration.

Ongoing compliance requirements

The CPP contribution rate is an annually determined percentage of an employee's gross earnings (up to a certain limit). The employee and employer contribution rate is applied to the portion of pay between the basic exemption (CAD3,500) and the maximum pensionable earnings (MPE).

The employee portion is taken as a deduction at source and the employer contribution is matched. QPP contributions use a different rate and MPE determined annually, with the same CAD3,500 basic exemption as the federal CPP.

Beginning 1 January 2024, second additional contributions (CPP2) have been introduced. The contribution rate for CPP2 is lower than CPP and is based on a second earnings ceiling which will be determined each year.

QPP has rolled out a similar second contribution plan.

3. Employment obligations

Hiring employees

When an employee is hired, the employer is obliged to obtain their Social Insurance number (SIN), as well as a completed federal and provincial Form TD1 (Personal Tax Credits Return) to ensure correct payroll deductions. Quebec-based employees complete Form TP-1015.3-V (Quebec tax credit return).

Employment insurance (EI)

For each employee resident outside Quebec, employers must deduct and remit employment insurance premiums at a prescribed rate of insurable earnings. This amount is determined annually. The employer contribution is 1.4 times the employee's contribution, up to the maximum yearly employer contribution per employee. This insurance provides the employee with partial income replacement in case of job loss, medical benefit in case of non-work-related illness or sickness, and coverage for many more areas related to non-seasonal work and family-related benefits. For Quebec residents, the EI premiums are reduced, while the employer will also pay premiums for Quebec Parental Insurance Plan (QPIP) to the province of Quebec.

Minimum wage standard

The minimum wage varies by province and is subject to regular updates. This should be monitored regularly.

Vacation pay

An employee is eligible for a statutory minimum of vacation pay at 4% of vacationable earnings and vacation time of two weeks after completing one year of service. Employers can permit vacation to be taken prior to the one-year anniversary. Many provinces add additional statutory pay of an extra 2% (to 6% overall) and an additional week of time off after a five-year anniversary, but not all. The Employment Standards legislation is distinct in each province, with many similarities but also differences as to which earnings are vacationable. Employers are required to track both vacation pay and time earned.

4. Payroll requirements

Payroll frequency

Companies can pay employees on a weekly, biweekly or semi-monthly basis, depending upon the nature of the business.

Pay slip requirements

An employer should provide employees with a pay slip or pay statement, including details of income, benefits, deductions, credit and net pay. Pay slips must include the pay period for which the payment is being made, the employee's wage rate, gross amount before deductions, amount and purpose of each wage deduction, and net the amount of wages. The employer may provide a hard copy or electronic copy of the pay slip to the employee.

Garnishment

An employer is responsible for obeying garnishment orders and must deduct amounts from an employee's pay every period and transmit the funds to court. Failure to deduct amounts from an employee as directed could lead to the employer having to pay both the employee and the court. Not obeying a court order could also result in penalties and legal proceedings.

5. Banking requirements related to payroll

Payment of wages and salaries

The employer may make payments to its employees via check, cash, money order, wire transfer or electronic funds transfer.

Government authorities

The employer may make payments to the CRA via check, wire transfer or online banking transfer. Source deductions related to income tax and EI, plus employer EI contributions, are required to be remitted to the CRA for all employees. CPP is required for all non-Quebec employees. Source deductions for QPP for Quebec employees must be remitted to RQ. Workers' compensation premiums are to be remitted to the respective provincial worker's compensation agency, while employer health taxes are to be remitted to the respective provincial health tax authority as applicable.



1. Government requirements

Registration requirements

To create a company in Chile, it must be legally incorporated, then registered before the Commercial Bureau, and its constitution must be published in the Official Journal. Below are the steps that must be taken:

Registration before the Tax Authority (SII - Servicio de Impuestos Internos)

- ▶ Obtaining the “Rol Unico Tributario” (RUT) or Tax Identification Number (Tax ID).
- ▶ Obtaining permission to conduct economic or commercial operations in the country, a process known as “Inicio de Actividades.”

Registration before other labor and social security authorities

- a. Registration before the Labor Authority (DT - Dirección del Trabajo)

The DT is a decentralized public service. Its objective is to promote and ensure efficient compliance with labor, social security, occupational health, and safety legislation. It also aims to ensure the full exercise of trade union freedom and social dialogue, favoring fair, equitable, and modern labor relations.
- b. Affiliation to the Unemployment Insurance Fund Management Company (AFC in Chile)

AFC Chile is a closed joint-stock company, whose sole and exclusive purpose is to manage the funds called the Unemployment Fund and the Solidarity Unemployment Fund, and to grant and manage the benefits established by Law No. 19.728, on unemployment insurance.
- c. Affiliation to the Occupational Safety Institute (ISL - Instituto de Seguridad Laboral) or a Employers’ Mutual

According to Article 4 of Law No. 16.744, all employers and independent workers are considered affiliated with the Occupational Safety Institute (ISL), unless they join an Employers’ Mutual. The latter are private, non-profit corporations that provide full coverage for work-related accidents and occupational diseases, endured by workers of their affiliated companies and by independent workers who perform permanent risk-prevention activities.
- d. Affiliation to a Family Allowance Compensation Fund (CCAF - Cajas de Compensación y Asignación familiar) (Optional)

These private entities manage social security benefits. They pay for different benefits and subsidies and provide social loans and other benefits to their affiliates.

The decision to affiliate a company to the CCAF, must be adopted by an absolute majority of workers of each employer or establishment, in a meeting specially convened for this purpose. In each such meeting, there needs to be an overseer, who may be a Labor Inspector, Public Notary, or a civil servant of the State administration, appointed by the DT.

In companies with less than 25 workers, the employer or their representative may act as the overseer.
- e. Registration in Electronic Medical Leave Operators (FONASA, IMED, or Medipass)

These institutions provide the service of electronic medical leave operators, which they grant through a web platform for all the parties involved in the process of an Electronic Medical Leave (LME - Licencia Médica Electrónica), from its issuance to its settlement; Health Professionals, Patients, Employers, Health Insurance Institutions (Isapres), National Health Fund (FONASA), Compin, and CCAF.

EY contacts

Raúl Arias Vásquez
 T: +56 2 2676 1089
 E: raul.arias@cl.ey.com

José Luis Cantillana C.
 T: +56 2 3319 7694
 E: joseluis.cantillana@cl.ey.com

Ongoing compliance requirements

The permanent compliance and reporting requirements are as follows:

- ▶ Declaration and payment of monthly taxes, withheld from employees, using form 29 (F29)
- ▶ Annual Affidavit 1887 - an annual summary of taxable income and taxes withheld for each employee
- ▶ Upload the Electronic auxiliary Record of Salaries & Wages (LRE - Libro de Remuneraciones Electrónico) in the Electronic Labor Registry (REL) website of the Directorate of Labor (DT), among others
- ▶ Declaration and payment of monthly contributions to the Unemployment Insurance Fund, comprising employee withholdings and employer contributions
- ▶ Declaration and payment of monthly contributions to the Work Accident Insurance
- ▶ Completing and reporting received Electronic Medical Leaves (LME) to the relevant agencies to obtain subsidies for the days not worked
- ▶ Declaration and payment of monthly contributions to IPS (Instituto de Previsión Social) / CCAF

2. Pension requirements

Registration requirements

a. AFP affiliation

The Pension Fund Manager (AFP - Administradora de Fondos de Pensiones) are public limited companies. Their objective is to manage a pension fund and provide their affiliates with the benefits established by law. If a person is entering the mandatory individual

capitalization system for the first time and has not chosen a Pension Fund Manager (AFP) for their future pension, they will automatically be considered affiliated with the AFP that the government has awarded in the last bid. This bid, made for a portfolio of new affiliates to the system, is carried out every two years, from October to September of the following year.

When an individual begins to work formally, both salaried and independently, they must enter the mandatory individual capitalization system in a Pension Fund Manager (AFP). This process is known as affiliation.

The employee is personally responsible for the affiliation process. In the case of affiliation to health insurance institutions, the employee must also undertake the process if his decision is to join the Private System (ISAPRES). If they do not, they will default to the public system (FONASA) affiliation.

b. Registration in PREVIRED

PREVIRED is a private company that provides the centralized declaration and collection service for all social security in Chile, through an online web portal, where companies must register, as well as create users with different profiles for their use.

Ongoing compliance requirements

Every month, companies must withhold their employees' social security discounts. These withholdings, in addition to social security contributions made by the employer, are the "Social Security Contributions". These include contributions for retirement, unemployment, health and occupational accident insurance.



Social security contributions must be paid by the employer within the first 10 days of the following month from which the remunerations were earned. This can be extended to the first subsequent business day if the initial period expires on a Saturday, Sunday, or holiday.

When the employer makes the declaration and payment of contributions through electronic means (Previred website), the term will be extended until the 13th of each month, even if it is a Saturday, Sunday or holiday.

3. Employment obligations

Employers must comply with the following local labor regulations:

- ▶ A signed employment contract, or agreement between the employer and the employee.
- ▶ Employees must earn at least the minimum wage set by the government, in effect at the time of joining the company. As of 1 May 2023, the minimum monthly income for workers over 18 years of age and up to 65 years of age is CLP440,000. As of 1 September 2023, the minimum monthly income for workers over 18 years of age and up to 65 years of age is CLP460,000. As of 1 July 2024, the minimum monthly income for workers over 18 and up to 65 years of age will be CLP500,000. In the event that accumulated inflation of 2023 (IPC January-December 2023) exceeds 6%, the aforementioned minimum monthly income will be CLP470,000 as of 1 January 2024. Nevertheless, employers can set any salary above the before mentioned minimum wage.
- ▶ After one year of employment, the employee is entitled to 15 working days of vacation.
- ▶ Payments to the employee, must accrue in the month in which the employee rendered their services.
- ▶ The company must pay a share in the profits, called "Gratificación". It is a type of remuneration that corresponds to the part of the profits, with which the employer benefits the employee. There are two possible modalities for its granting: the provisions of article 47 of the Labor Code, where employers who obtain liquid profits have the obligation to reward their workers annually, in a proportion of not less than 30% of said profits or by the via article 50, that is, paying the worker 25% of what is accrued in the respective business year for monthly remuneration with a limit of 4.75 minimum incomes, per year (annual limit: $CLP460,000 \times 4.75 = CLP 2,185,000$), the latter being the most widely used modality in the country.

4. Payroll requirements

Employers must process salary payments in accordance with the conditions agreed in the work contract, and provide the employee with a pay slip containing details of the salary received and the discounts applied.

Employers must upload the salary calculations to the "Previred" portal, for health payments and social security contributions.

Employers must also generate work contracts and terminations, in accordance with the instructions established by Chilean Law.

All companies with more than five employees must prepare and present the monthly Electronic auxiliary Record of Salaries & Wages, called the "Libro de Remuneraciones Electrónico" (LRE), which must be reported on the website of the Labor Authority (Dirección del Trabajo DT).

5. Banking requirements related to payroll

All employers (local or foreign) must hold a local bank account in local currency in order to pay salaries and social contributions.

If agreed, an employee can receive his or her salary in foreign currency. However, the salary must be calculated in local currency and then exchanged to the corresponding foreign currency.

If the employer wants to pay an employee in foreign currency, both are required to have a USD bank account at a bank in Chile. If this is not possible, the employer has two additional options: pay the amount in cash in the agreed currency or pay the equivalent agreed amount in local currency (CLP), for which the employer and employee must have a bank account in Chile.



1. Government requirements

Registration requirements

Company level local tax registration and individual tax registration

When a business enters in mainland China, it is required to register with both state tax bureau and local tax bureau according to the regulation on Administration and Collection of Tax in China. Individual Income Tax (IIT) is collected by the local tax bureau. In some cities, it is required to perform the individual registration for foreign national employees before the employer can withhold the IIT for them. The requirement is governed by local tax authorities and the practice varies in different cities.

Registration for social insurance

According to social insurance regulations in China, the employer should register a company's social insurance account at the Social Security Bureau in the city where the legal entity is located, within 30 days after obtaining the business license.

The social insurance in China includes five insurance types: pension, medical, occupational injury, maternity and unemployment. The maximum and minimum contribution base and the contribution rates for each insurance types are different from city to city.

Registration for housing fund

The employer should register a company's housing fund account at the Housing Fund Administration Center in the city where the legal entity is located, at the soonest after obtaining the business license.

There are employer and employee contributions for housing fund in China. The maximum and minimum contribution base and the contribution rate are different from city to city.

Ongoing compliance requirements

Monthly individual income tax (IIT) withholding obligation

The employer is obliged to withhold the IIT from the employee's payroll on a monthly basis and settle the IIT on behalf of the employee. The employer should file the withholding IIT return to the local tax bureau and settle the IIT payable before the 15th of the following month in general.

The salaries and wages received by the employee are subject to IIT at seven-grade progressive tax rates ranging from 3% to 45%. The requirements are governed by the China Individual Income Tax Law and the Implementation Regulation of China Individual Income Tax Law.

Specific additional tax deductions

China residents are eligible for the following specific additional tax deductions, if applicable.

- ▶ Children's education
- ▶ Occupational education
- ▶ Medical expenses for serious illness
- ▶ Housing loan interest
- ▶ Housing rent
- ▶ Supporting the elderly
- ▶ Infant care expense for children under the age of three

EY contact

Vincent Hu
T: +852 3752 4885
E: vincent.wh.hu@hk.ey.com

Monthly contribution for social insurance and housing fund

Social insurance is governed under the Social Insurance Law of China. Housing fund contribution is governed under the Administrative Regulations on the Housing Fund in China.

The employer has obligation to enroll its employee in the social insurance system. Each month, the employer shall file the social insurance and housing fund contributions for employer and employees with the respective authorities for its active employees and arrange payment on time.

The rates for each social insurance type and housing fund are different from city to city. It is recommended that companies check with the local authority for the requirements of social insurance.

Others

There may be other requirements in each location. For example, in some cities, there is disabled person fund which requires the employer to either hire disabled persons at a rate of total employee headcount, or pay the disabled person fund. Some cities have blood donation quota. It is recommended that companies check with local authorities for the detailed requirements.

2. Pension requirements

Registration requirements

Pension is included in social insurance as mentioned above.

Ongoing compliance requirements

Pension normally includes employer contribution and employee contribution. The rates for each party are different from city to city. Normally the employer contribution rate is around 20% and the employee contribution rate is around 8% with upper and lower limits.

3. Employment obligations

Labor Law

The employer should follow the labor law for all employment issues such as:

- ▶ Working hours, rest and vacations
- ▶ Salary frequency and minimum wage
- ▶ Occupational safety and health
- ▶ Special protection for female staff and workers, and juvenile workers
- ▶ Vocational training
- ▶ Labor dispute



Such issues are normally governed by the local Labor and Social Security Bureau or the local Human Resources and Social Security Bureau. However, each city may have its own practice when implementing the law.

Labor Contract Law

The employer should follow the Labor Contract Law to:

- ▶ Sign labor contract with employee in time
- ▶ Renew labor contract with employee in time
- ▶ Terminate labor contract with employees with severance pay or without severance pay when certain criterion are met

4. Payroll requirements

Payroll payments

The employer should follow the interim provisions on the salary payment to make payroll arrangements.

Salary shall be paid on the dates agreed between employers and laborers. In case of holidays or non-business days, the salary shall be paid on the last working day in advance. Remuneration shall be paid, at least once a month; in case of the salary systems of a week, a day or an hour, remuneration may be paid every week, day or hour.

5. Banking requirements related to payroll

- ▶ Salary payment: Common practice is to upload the bank file in the online bank application containing all the individual payment instructions
- ▶ Statutory payment: Common practice is direct debit through tripartite agreement between the client, the tax bureau/housing fund management center and designated PRC bank for online settlement purpose

Foreign exchange control

There is foreign exchange control in China. If the employer or employee needs to remit foreign currencies exchange outside of China, it may require special approval from the bank.



1. Government requirements

Registration requirements

In order to set up a company in Colombia, the first step is to register at the Single Tax Register (RUT) under the Colombian Taxes and Customs Authority (DIAN).

It is important to obtain a registration document from the Chamber of Commerce. This commercial registration contains general data information about merchants and companies.

Social security registration

Every company must be affiliated and pay monthly contributions to the ARL (Professional Risk Administrator), EPS (Health Care Entities), AFP (Pension Funds Entities), and welfare compensation funds, which cover all the minimal services established by the law to employees who are affiliated.

The following are required for the registration:

- ▶ Certificate of existence and legal representation
- ▶ Photocopy of the RUT
- ▶ Photocopy of the legal representative's ID

Ongoing compliance requirements

In accordance with payment of income to every employee, it is necessary to liquidate the Social Security that corresponds to the contributions for EPS, AFP, ARL, Fiscal contributions, which must be paid in accordance with the dates legally established according to the Tax ID "NIT" assigned to the company. The maximum limit of contributions base to the Social Security is 25 SMLV and for Fiscal contributions, there is no limit. (SMLV refers to Minimum Monthly Legal Salaries in Colombia that people receive for their services.)

In Colombia, it works by means of a unique schedule and it is paid through an operator of information, who is in charge of the distribution of these contributions to every entity.

a. ARL (Professional Risk Administrator)

This affiliation is obligatory for all employees in Colombia in order to obtain protection against an accident at work or occupational disease.

The amount of contributions to be paid by the employer is decided in accordance with the risk that the ARL determines for the economic activity of the company.

The rates are as follows:

Type of Risk	%
I	0.522
II	1.044
III	2.436
IV	4.350
V	6.960

EY contacts

Raquel Lozano S

T: +57 3168781306

E: raquel.lozano.sanchez@co.ey.com

Lina Galeano

T: +57 3008334657

E: lina.galeano@co.ey.com

The base for the calculation of these contributions is the monthly salary that the employee receives; it is understood as basic salary or integral salary with changeable payments that are part of the salary.

For integral salaries, the contribution is calculated based on 70% of the salary.

The following documents are required:

- ▶ Photocopy of the employee's ID
- ▶ Affiliation form duly completed
- ▶ Information about the labor contract

b. EPS (Health Promoting Entities)

This affiliation is obligatory for all the habitants of Colombia who want access to health coverage.

Currently, contribution to the EPS corresponds to 12.5% of the base salary and it is distributed in the following way:

- ▶ Employer: two-thirds i.e., 8.5% of the contribution
- ▶ Employee: one-third i.e., 4% of the contribution

This contribution guarantees the coverage of the obligatory health plan for the employee and his or her family, if it has been affiliated.

The base for the calculation of these contributions is the monthly salary that the employee receives. It is understood as basic salary or integral salary with changeable payments that are part of the salary.

For integral salaries, the contribution is calculated based on 70% of the salary.

Employees should be affiliated to the Health Promoting Entity they chose. The following are required for this process:

- ▶ Photocopy of the employee's ID
- ▶ Affiliation form duly completed

c. AFP (Pension Funds Administrator)

This affiliation is obligatory for all the habitants of Colombia who want access to protection in their old age, invalidate state and death.

Currently, contribution to the AFP corresponds to 16% of the base salary and it is distributed in the following way:

- ▶ Employer pays 75% of the total contribution
- ▶ Employee pays the remaining 25%

An affiliated employee, who earns at least four times the minimum salary which is legally in force, will contribute an additional percentage point to the Solidarity Pension Fund.

Depending on the total salary, additional contributions would apply as shown in the table below:

Base revenue	Additional contributions for the employee
16 to 17 SMLV	0.2%
17 to 18 SMLV	0.4%
18 to 19 SMLV	0.6%
19 to 20 SMLV	0.8%
More than 20 SMLV	1.0%

The base for the calculation of these contributions is the monthly salary that the employee receives. It is understood as basic salary or integral salary with changeable payments that are part of the salary. It is the same used for the health plan.

For integral salaries, the contribution is calculated based on 70% of the salary.

d. Fiscal contribution

All companies or productive units that have employees linked by means of contract jobs must pay monthly payroll taxes equal to 9% of the salaries paid to their employees. These taxes are distributed in the following percentages among the following entities:

- ▶ Four percent for the Welfare Compensation Fund (Employees should be affiliated to this fund. The following are required for this process: photocopy of the employee's ID and the duly completed affiliation form)
- ▶ Three percent for the Colombian Institute of Familiar Welfare (ICBF)
- ▶ Two percent for the National Learning Service (SENA)

Local payroll tax

Local payroll tax has to be paid by the employer on the bases of the monthly taxable income paid.

Tax residence in Colombia

Natural persons (local or foreign) and domestic residents are subject to income tax in respect of their local source of income and capital gains on both national and foreign source. Foreigners residing in Colombia are subject to income tax in respect of their local source of income and the foreign source of income from the first day of their continuous or discontinuous residency in Colombia. The filing date for individual income tax return is based on the last two digits of the individual's tax identification number (NIT).

In accordance with Law 1607 of 2012, the residence refers to the physical permanence in the country continuously or discontinuously for more than 183 days over a period of 365 consecutive days.

Additionally, individuals who meet all the following requirements during the corresponding tax year will be considered as national residents:

- ▶ The individual's spouse or permanent partner, or their minor dependent children are tax residents in the country during the corresponding tax year.
- ▶ Fifty percent of the individual's income is from national sources.
- ▶ Fifty percent of the individual's assets is obtained in the country.
- ▶ Fifty percent of the individual's goods is obtained in the country. Goods refer to properties owned by the individual.

Tax resident employees must pay tax on their worldwide income based on progressive rates. The Colombian tax system is expressed in terms of tax value unit (UVT).

The UVT amount for 2023 is COP42,412.

The nonresident rate is 20% on all income received without any deduction.

The maximum tax rate in Colombia is 39%.

Year-end requirements

a. Income and retentions certificate

The employer is obligated to deliver annually, at the latest in March, the certificate of income and retentions of the taxable year, which is the reflection of all the income and contributions carried out immediately following the previous year.

b. Magnetic media

The employer is bound to file this obligation on an annual basis in April. The information the DIAN requires is related to income, social security and withholdings of the taxable year, carried out immediately following the previous year.

2. Pension requirements

Registration requirements

In Colombia, there are two pension regimes for employees:

- Individual Savings Regime with Solidarity and Medium Premium Regime (Colpensiones): On the average, the Premium Regime requires 1,300 weeks of contributions. The legal retirement age is 57 for women and 62 for men.
- Private regime: There is no age condition if the member opts to fulfill a saved capital. If the member opts to contribute at least 1,150 weeks, the legal retirement

age would apply. In the first case where the employee is affiliated with the Individual Savings Account and opts to accumulate the necessary capital to retire, no minimum weeks of contributions is required. The individual's saved capital should be at least 110% of the minimum monthly legal wage in force. The pension will depend on the amount saved and the income generated.

3. Employment obligations

a. Minimum salary and legal transport subsidy

The Minimum Monthly Legal Salaries (MMLS) for 2023 is COP1,160,000.

The legal transport subsidy for 2023 is COP140,606. This amount must be paid to employees who earn up to two current legal minimum wages or less.

b. Severance payment

The employer is required to pay its employees at the end of the contract job, partially liquidate them or record them in the fund at the latest by 14 February of the following year. The severance payment is equivalent to one month's salary for every year of services, and proportionally for fractions of a year. It only applies to ordinary salaries.

Calculation is based on the last monthly salary earned by the employee, provided that it has not had any variation in the last three months. In the opposite case and in the case of changeable salaries, the base will be the average of the income earned in the last year of services or in all the time served if it was less than a year.

c. Interest on the severance payment

The employer must recognize and pay interest of 12 % per year on the amount of severance as of 31 December every year; or in the dates of retirement of the employee or partial liquidation of severance, that corresponds to it by concept of severance.

The interests will have to be paid in January of the year following that they were caused; or in the date of the retirement of the employee or in the following month to the partial liquidation of severance, when it would take place before 31 December of the respective annual period, in proportional quantity with the time passed of the year.

d. Premium of services

Every company of permanent character is required to pay a premium of services that corresponds to 15 days of salary. This is payable twice, i.e., before the end of June and latest by 20 December, to employees who have worked the whole half year or proportionally to the worked time required.

This premium of services replaces the participation of utilities and it only applies to ordinary salaries.

e. Vacations

Employees who rendered their services for at least a year are entitled to 15 consecutive working days of paid vacation. This applies to both types of salaries.

Register of vacations

The employer must maintain a special record of vacations where it records details such as:

- ▶ Date of joining for each employee
- ▶ Dates in which employees take their annual vacations
- ▶ Duration of these vacations
- ▶ Remuneration

4. Payroll requirements

Ordinary salary

This refers to the remuneration an employee receives from his or her employer for the services rendered. Employees under the ordinary salary scheme are entitled to the following payments:

- ▶ Severance payments
- ▶ Interest on the severance
- ▶ Vacation
- ▶ Premium of services

Contributions to the integral social security system and payroll taxes shall be calculated based on 100% of the agreed salary.

Integral salary

This remuneration applies when an employee earns more than 10 MMLS in force. Additionally, it includes a fringe benefit factor of 30%, covering:

- ▶ Social benefits
- ▶ Night, Sunday and holiday overtime
- ▶ Payment in kind
- ▶ Aids and interest

Contributions to the integral social security system and payroll taxes shall be calculated based on 70% of the integral salary.

Taxes of labor incomes - Withholding at the source

In accordance with Colombian laws, taxes and contributions apply for payroll settlement.

It is an early revenue that facilitates, assures and accelerates the payment of the income tax; the law has determined that it has to be carried out at the moment of the origin of the labor income.

A labor income is considered as the remuneration earned from the rendering of personal services under continued dependence and subordination, no matter the form or

denomination that is adopted as long as it constitutes a labor income.

This collection is discounted monthly in the payroll on the received payments determined as labor income and it is paid to the entity collector "DIAN" by means of the income tax declaration that the company pays every month.

Monthly tax rates: The following table sets forth the marginal withholding tax rates applicable to monthly labor income derived by residents in the 2023 tax year.

Range in UVT		Marginal rate	Withholding at source
Exceeding	Not exceeding		
0	95	0%	0
95	150	19%	(Taxed labor income expressed in UVT minus 95 UVT) x 19%
150	360	28%	(Taxed labor income expressed in UVT minus 150 UVT) x 28% plus 10 UVT
360	640	33%	(Taxed labor income expressed in UVT minus 360 UVT) x 33% plus 69 UVT
640	945	35%	(Taxed labor income expressed in UVT minus 640 UVT) x 35% plus 162 UVT
945	2300	37%	(Taxed labor income expressed in UVT minus 945 UVT) x 37% plus 268 UVT
2300	–	39%	(Taxed labor income expressed in UVT minus 2300 UVT) x 39% plus 770 UVT

Electronic payroll

The tax authority requires the generation of electronic payroll. Every employer hiring personnel through an employment contract must generate electronic payroll, in accordance with the implementation schedule set in Resolution 0013 of 2021:

“The subjects obliged to generate and transmit for validation the payroll payment support document, and the adjustment notes of the aforementioned document, are those taxpayers of the income tax and complementary, who make payments or book an accruals derive from a entailment, for a labor or legal and regulatory relationship and for payments to pensioners by the employer, which require bearing the costs and deductions in the income tax and complementary and deductible taxes in the Sales Tax - VAT, when applicable.”

Employers are to send or report the electronic payroll payment support to the DIAN within the first 10 days of the month following the month to report.

To generate the electronic payroll, the service must first be enabled on the DIAN page. For implementation, the employer needs either their own software or that of a technology provider. They also need a digital signature, and must configure or parameterize everything necessary to start sending electronic payroll documents.

5. Banking requirements related to payroll

Salaries can be paid by cash, check or transfer. Colombian residents are not permitted to make deposits or have checking/savings accounts in foreign currency at Colombian banks. The payment must be made in local currency, which is Colombian pesos.



EY contacts

Antonio Ruiz

T: +506 2208 9800

E: antonio.ruiz@cr.ey.com

Jose Pablo Artavia

T: +506 2208 9891

E: pablo.artavia@cr.ey.com

Yazmín Duarte

T: +506 2208 9800

E: yazmin.duarte.zeledon@cr.ey.com

Evelin Leal

T: +502 2461 3174

E: evelin.leal@gt.ey.com

1. Government requirements

Registration requirements

All companies must be registered as an employer with the Costa Rican Social Security Fund or Caja Costarricense de Seguro Social (CCSS - as it is known in Spanish), the National Insurance Institute (Instituto Nacional de Seguros or INS) and the Tax Authorities.

Costa Rican Social Security Fund or CCSS

Every company, voluntary insured or independent worker must be duly affiliated with the CCSS. To do so, the following documents are required:

- ▶ The Original Certificate of Legal Entity with representation by the National Registry or by a notary public or digital certification, with more than one month of issue
- ▶ Photocopy of the Deed of Constitution of the company
- ▶ Identity card of the legal representative - In the case of foreigners, provide the original immigration identification document (either residence card, refugee card, passport or other)
- ▶ Photocopy of the identity card of each worker - In the case of foreigners, provide a photocopy of the migratory identification document (either residence card, refugee shelter, passport or other) of each worker
- ▶ Fill out the Application Form for Registration or Employer Resume (Legal Employer). The form must be signed by the employer or employer representative.
- ▶ Indicate place or means for notifications
- ▶ Provide an email for the presentation of online forms
- ▶ Desirable: if it is treated with the INS Work Risk Policy, see the INS policy number

Labor Risk Insurance - INS institute

Title IV of the Labor Code, Article 193 states that employers are obliged to subscribe to labor risk insurance to protect its workers, i.e., those who work directly for the employer, and those who work for its intermediaries.

The subscription of any insurance can only be made personally. In the case of legal entities, it can only be done by the legal representative registered in the legal entity.

In case you cannot appear personally, you can send an authorized person with a power of attorney authenticated by a notary, clearly indicating the process that you are going to carry out.

For all procedures, it is essential to present the identification document in original, current and good condition.

General requirement:

The "Application for insurance" needs to be duly completed before submission. Due to the characteristics of each policy, there are different forms for each.

For tax administration

Every individual or legal entity is obliged to register at the taxpayers registry when starting any lucrative activity or business (sale of goods or provision of services), subject to a tax under the administration of the General Tax Office.

The registration will only proceed from the moment it is processed or a previous date, but never from a future planned date.

Registration can be done online via the Virtual Tax Administration (ATV) web page by completing and submitting the D-140 Form.

The form could also be presented at any of the offices of the tax administration.

According to the Workers' Protection Act, Transitional XII; Constitutive Law of the CCSS, Articles 3; and the Regulation for the Registration of Independent Workers, Articles 1 and 2, all Costa Rican workers are obliged to join the Costa Rican Social Security Fund from their first working day.

- ▶ When the employer presents the required documents and once the existence of an employment relationship is verified, the inspector gives the employer a document called the Provisional Employer Certificate (Orden Patronal Provisional), which remains in force until the following month. The "Sistema autogestión de Planilla en Línea" (SICERE) then generates an employer certificate. The system will issue and send this certificate to the employer every month.
- ▶ The current minimum for employees' contributions to the CCSS (for "Invalidez Vejez y Muerte" (IVM) and "Seguro Enfermedad y Maternidad" (SEM)) is CRC306,383, as of January 2023. The percentage of contributions from the employee's salary is 10.67%.
- ▶ Every employer must report on the payroll any payment made to employees during the month, regardless of the form of payment that the employer has agreed with their employees, and whether the payments are monthly, biweekly or weekly.
- ▶ Domestic social contributions are divided into two major groups: contributions corresponding to health insurance and contributions corresponding to pension funds.
- ▶ The process to insure a foreign person is the same for Costa Rican nationals. However, a foreign employee must be in Costa Rica legally.

For employees of legal age, if the submission is being made in person, a valid personal identity card is required in addition to the registration application, duly completed manually or electronically, and signed by the employee and the employer. If the submission is being made online, the employer can do this once they have been incorporated in the SICERE system.

Ongoing compliance requirements

Social security

The monthly social security reporting dates are between the 26th of the month and the fourth business day of the following month. For large taxpayers, the date is the third business day of the following month. The local authorities determine who are large taxpayers and request contributors to send the information via txt. file to an executive of the CCSS (Caja Costarricense de Seguro Social).

Payment of the invoice generated for the declaration must be made through the SICERE website, according to the date that the system generates the invoice, which usually varies between the 14th and 17th day of each month.

Payroll

Monthly withholding tax return must be paid at the beginning of each month, usually by the 15th of each month. The submission of monthly payroll information to the Institute of Insurance (INS), through the "Riesgo de Trabajo" (RT) virtual page, must be made according to the calendar provided – usually by the 14th of each month.

2. Pension requirements

Registration requirements

The Board of Directors of the Costa Rican Social Security Fund has agreed to submit the draft amendment to Article 41 of the labor relations regulations to the unions' group for consideration. It refers to severance payment, recently approved by the highest institutional body.

The partial reform project proposes that those who acquire the right to severance benefits will be granted an amount equivalent to the amount of days provided in Article 29 of the Labor Code during the years worked after the Worker Protection Law. This means that 5.33% (based on the employee's salary) would be paid to the retiring employee and 3% would be transferred to the Labor Capitalization Fund for the supplementary pension, to make up the total of 8.33% provided by the law.

3. Employment obligations

Employer Contribution		Percentage
Social Security CCSS		26.67%
Labor Risk INS		1.00%
Solidarity Association (optional)		5.00%
Christmas Bonus accrual		8.33%
Vacation accrual		3.33%
Severance year	Year 1 (19.5 days)	5.42%
	Year 2 (20 days)	5.56%
	Year 3 (20.5 days)	5.69%
	Year 4 (21 days)	5.83%
	Year 5 (21.24 days)	5.90%
	Year 6 (21.5 days)	5.97%
	Year 7 (22 days)	6.11%
	Year 8 (22 days)	6.11%

The Christmas bonus payment must be made within the first 20 days of December, and is a proportion of the salary received between December of the previous year and November of the current year.

The law stipulates that the right to paid annual leave is guaranteed for all employees after a period of 12 months (50 weeks) of continuous work. Vacation can be extended by a maximum of 14 calendar days in a row (12 working days). The law does not indicate whether the period of paid annual leave increases with seniority. If a contract is terminated before the 50-week period is completed, the employee is entitled to at least one day's leave per month worked and said accrued leave will be paid at the time of termination of the contract.

4. Payroll requirements

Employers must make monthly or biweekly salary payments, and comply with the above employment obligations.

The monthly social security reporting dates are between the 26th of the month and the fourth business day of the following month. For large taxpayers, the due date is the third business day of the following month. The local authorities determine who are large tax payers and will request contributors to send the information via TxT file to an executive of the CCSS (Caja Costarricense de Seguro Social).

Monthly withholding tax return must be paid at the beginning of each month, usually by the 15th of each month.

Annual withholding tax return (D-152) must be reported to the General Tax Office during the first two months (no later than February 28th) of the following year.

The submission of monthly payroll information to the Institute of Insurance (INS), through the "Riesgo de Trabajo" (RT) virtual page, must be made according to the calendar provided – usually by the 14th of each month.

5. Banking requirements related to payroll

There are no specific requirements.



1. Government requirements

Registration requirements

Tax registration

An employer is obliged to register as a taxpayer with the Croatian Tax Authorities. Usually, this is done once the legal entity is established and entered in the Croatian Commercial Register. Therefore, there is no separate registration for payroll purposes.

Registration for social security contributions – employer

An employer is obliged to register for pension fund and health insurance in Croatia.

Based on the Croatian Pension Fund Act, the registration for pension fund purposes is done on the M-11p form within 24 hours from start of the business with the Croatian Pension Fund Institute. There is no registration fee prescribed.

The Croatian Health Insurance Act states that an employer is obliged to register on the T1 form with the Croatian Health Insurance Institute for health insurance purposes. There is no registration fee prescribed.

Registration for social security contributions – employee

Employers who have less than three employees can file the registration of employees for social security contributions as hard copy. All others are obliged to file the registration of employees for social security contributions via the online application e-HZMO of the Croatian Pension Fund. To be able to use the online application, a qualified digital certificate is needed. There is no registration fee to access e-HZMO.

The registration via e-HZMO is done for pension fund and health insurance, hence no separate registration is needed. However, to be able to extract the confirmation of the registration for health insurance, the access to the online application e-HZZO under the Croatian Health Insurance Fund is needed. To be able to use e-HZZO, a qualified digital certificate is needed. There is no registration fee for access to e-HZZO.

In accordance with the Croatian Pension Fund Act and the Croatian Health Insurance Act, the deadline for registration of new hires is eight days before the employment start date or at the latest before the employment start date. The Croatian Employment Act states that all employees should receive the registration confirmation within 15 days from the due date of the registration.

Ongoing compliance requirements

Tax compliance

According to the Croatian Personal Income Tax Act, all employers are obliged to file the payroll report on income, taxes and contributions (JOPPD) for tax and social security purposes with the Croatian Tax Authorities. The report is filed via the online application - Tax Authorities ePorezna. To be able to use the online application, a qualified digital certificate is needed. There is no registration fee to access ePorezna.

The report should be submitted on each payment date, except for benefits in kind and non-taxable payments. These payments can be reported by the 15th of the month for payments made in the previous month.

EY contacts

Sanja Stambolija Andrić
T: +385 1 5800 901
E: sanja.stambolija-andric@hr.ey.com

Lidija Klemenčić
T: +385 1 5800 904
E: lidija.klemencic@hr.ey.com

On an annual basis, the local self-government units autonomously determine Personal Income Tax (PIT) Rates within the prescribed range, as below:

- a. Counties - a lower PIT rate within the range of 15% to 22% and a higher PIT rate within the range of 25% to 33%
- b. Cities with fewer than 30,000 residents - a lower PIT rate within the range of 15% to 22.40% and a higher PIT rate within the range of 25% to 33.60%
- c. Cities with more than 30,000 residents - a lower PIT rate within the range of 15% to 23% and a higher PIT rate within the range of 25% to 34.50%
- d. City of Zagreb - a lower PIT rate within the range of 15% to 23.60% and a higher PIT rate within the range of 25% to 35.40%.

The higher PIT tax rate would be applicable on employment income higher than EUR50,400 annually.

The determined PIT rates remain in force until a new decision by the local self-government unit is released.

The PIT rates are applied on the income after taking into consideration contributions borne by the employee and personal allowance for perspective period. The basic personal allowance is EUR560 and can be increased for additional allowance for dependent family and supporting members.

Social security compliance

There is no separate report which needs to be filed for social security purposes. Report JOPPD is filed for tax and social security purposes.

The Croatian Pension Fund Act states that the social security rates applicable for the employment income for 2024 are as follows:

- ▶ Contributions borne by the employee:
 - ▶ A 20% pension fund contribution (15% for pension fund pillar 1 and 5% for pension fund pillar 2 or 20% for pension fund pillar 1)
 - ▶ Contributions borne by the employer
 - ▶ A16.5% health insurance contribution

For calculation of pension contributions in pillar 1 for monthly gross salaries up to EUR1,300, there is a relief:

- a. For gross salaries up to EUR700 - fixed relief of EUR300
- b. For gross salaries above EUR700 to EUR1,300 - linear model of calculating the fixed relief is applied according to the formula below:

$$0.5 \times (\text{EUR}1,300 - \text{gross salaries})$$
- c. For gross salaries above EUR1,300 and more the respective relief is not applicable.

Remote work and alternative workplace

Labour Act prescribes rules in case employee works outside of the employer's premises, particularly in terms

of distinguishing work at the alternative workplace and remote work:

- ▶ Work at the alternative workplace is work performed from home or another similar space determined by the agreement between the employee and the employer.
- ▶ Remote work is work performed via information and communication technology allowing employees to determine their workplace freely.
- ▶ Work at the alternative workplace and remote work may be performed permanently, temporarily, or occasionally.
- ▶ Employees working outside the employer's premises are entitled to reimbursement of work-related costs if such work exceeds seven working days per calendar month.

Personal Income Tax Bylaw prescribes also maximum non-taxable allowance for work from home being maximum EUR4 per day but not more than EUR70 per month. This is prescribed for a work at the alternative workplace only.

2. Pension requirements

Pension registrations

Based on the Croatian Pension Fund Act, the employer is obliged to register with the Pension Fund Institution. The registration for pension fund purposes is done on the M-11p form for the employer within 24 hours from start of the business with the Croatian Pension Fund Institute. There is no registration fee prescribed.

For pension registration requirements, refer to the earlier section on employee registration for social security contributions.

Ongoing compliance requirement

Pension fund contribution compliance

There is no separate report which needs to be filed for pension fund contribution purposes to the Croatian Pension Fund Institute. Report JOPPD is filed for pension fund contribution purposes.

Pension fund contribution is borne by the employee (i.e., it is deducted from the employee's gross salary). The contribution rate is 20% or lower (if relief can be applied). Depending on the employee's age, the contribution can be paid in total to the pension fund pillar 1 (if in 2002, when the second pillar was introduced, the employee was older than 40 years and has not voluntarily decided to pay part of the total pension fund contribution to pension fund pillar 2) or 15% can be paid to pension fund pillar 1 and 5% to pension fund pillar 2.



3. Employment obligations

General

In Croatia, the main legislative act concerning employment is the Labor Act. In accordance with the Labor Act, the employer is obliged, among others, to pay the salary to an employee for the performed work, and the employee is obliged to personally perform the work in accordance with the instructions from the employer depending on the nature and type of work. The governing authority for employment in Croatia is the Ministry of Labor and Pension System.

Salary

The employer is obliged to calculate and pay to the employee, the salary in the amount prescribed by the law, collective agreement, employment bylaws or employment contract. Employees are entitled to an increased salary in case of the following:

- ▶ Difficult working conditions
- ▶ Overtime work
- ▶ Night work
- ▶ Sunday work
- ▶ Holiday work or work on any other day that is determined by the law as a nonworking day

The salary must be paid to the employee's bank account (no cash payment is allowed). Unless prescribed otherwise by the collective agreement or the employment contract, the employer must pay the salary on a date no later than the 15th of the current month for the previous month.

The minimum salary is regulated by the Minimum Salary Act. The minimum salary is determined by the Government Decree for each calendar year. In 2024, the minimum salary amounts to EUR840 gross.

During a period of interrupted work, where the employee cannot work due to circumstances beyond the responsibility of the employee, the employee is entitled to compensation from the employer. Justified reasons for interrupted work are prescribed by the law, special regulations, collective agreement, employment bylaws or the employment contract. The mandatory compensation amounts to the amount equal to the average salary of a certain employee received in the previous three months. Higher compensation may be envisaged in the employment agreement, employment bylaws or the applicable collective agreement. A lower compensation amount may be envisaged only in the collective agreement.

Working hours, rest hours and breaks

The full-time work shall not exceed 40 hours per week. Where the working hours are determined by the employment contract, applicable law, collective agreement or contract between the works council and the employer, it shall be deemed that the working hours are 40 hours per week. Any working hours shorter than the full-time work shall be considered to be part-time work.

An employee working at least six hours a day is entitled to a daily break of 30 minutes. The employee is entitled to uninterrupted daily rest of 12 hours and to uninterrupted weekly rest of 24 hours to which a period of daily rest shall be added.



Annual leave, paid and unpaid leave

The employee is entitled to a paid annual leave, in duration of at least 20 working days, for each calendar year. The employee employed for the first time or the employee with an interruption period between two employments exceeding eight days, is entitled to annual leave with the new employer after six consecutive months of employment.

During the calendar year, the employee is entitled to a minimum of seven days of paid leave for important personal purposes. Examples of important personal purposes are marriage ceremony, childbirth, serious illness or death of an immediate family member.

Upon an employee's request, the employer may grant an unpaid leave to the employee. Nevertheless, there is no obligation to grant an unpaid leave. During the unpaid leave, the employee shall not have any rights or obligations arising from the employment relationship or related thereto.

Conditions for health and safety of employees

The employer must ensure safe working conditions for the employees in accordance with the special regulations on safety and health at work.

Severance pay

Severance pay must be paid to the employee who had been continuously employed with the employer for at least two years if the employment relationship is terminated by the employer (unless terminated due to the employee's fault).

In general, the due amount of severance pay is determined based on the duration of employment. The statutory

minimum severance is calculated by multiplying one-third of the employee's average monthly salary in the last three months before termination, with the number of full years of employment.

The maximum statutory severance pay that the employer may be obliged to pay is six average monthly salaries of the employee (based on the amounts paid to the employee in the last three months before termination), unless a higher amount of the severance pay is prescribed by the law, collective agreement, employment bylaws or the employment agreement.

Employment agreement, service agreement or agency work

The main difference between an employment agreement and a service agreement is the statutory basis of each. Namely, an employment agreement is defined and regulated by the Croatian Labor Act. Consequently, the execution of an employment agreement triggers the formation of an employment relationship and all statutory rights and obligations of the employer and employee. On the other hand, the conclusion of a service agreement does not result in the formation of an employment relationship, and it is regulated by the Croatian Obligations Act. In the employment relationship, the employee fully follows the instructions of the employer, uses employer's premises, tools and other means of work, while the service agreement provides certain level of independence for the contractor. However, even the relationship formed based on the service agreement incorporates the agreed level of supervision and instructions by the client.

In comparison to a service agreement, the employment agreement forms a more permanent relationship. A service agreement has, at its core, performance of contracted services (and is usually terminated when the work is completed). Such service-focused nature makes a service agreement easier to terminate. Contrary to termination of a service agreement, termination of an employment relationship is more complex. When terminating an employment agreement, the employer is obliged to follow a rather formalistic statutory process.

Agency work is a three-party relationship. The client concludes with the agency an agreement on the assignment of employees (also known as employment leasing agreement). The agency and the employee enter into an employment agreement.

One of the benefits of agency work is the fact that all the administrative matters (e.g., hiring and payroll) are administered by the agency. Also, if the statutory conditions are fulfilled, the agency is responsible to the client for damage caused to the client (not third parties) by the employee. An additional cost is created for the employer, in the form of the agency fee. The amount of agency fee will depend on the service provider (there are several in the market).

An employer may not utilize the option of agency work for a position for which it dismissed an employee due to a lack of business need within the previous six months, as well as for positions for which it carried out the collective redundancy procedure within the previous six months.

An employer may not use the work of the same assigned employee to perform the same tasks for an uninterrupted period exceeding three years, unless it is necessary for the replacement of a temporarily absent employee or for some other objective reasons permitted by a collective agreement. An interruption of less than two months is not considered as an interruption of the three-years period.

4. Payroll requirement

In accordance with the Croatian Labor Act, the salary must be paid to the employee on a date no later than the 15th of the current month for the previous month unless prescribed otherwise by the collective agreement or the employment contract. The employer is obliged to provide the employee with the pay slip with details of the payroll calculation on a date no later than 15 days after the salary payment.

5. Banking requirements related to payroll

The Croatian Personal Income Tax Bylaw states that the salary must be paid to the employee's bank account (no cash payment is allowed). Furthermore, social security contributions and taxes should be paid out on the same day together with the salary.

In the payment details of the salary, taxes and contributions prescribed reference number needs to be used so that the payments are linked to the payroll report JOPPD which is filed for the salary payment. For certain payments, specific Single Euro Payments Area (SEPA) code may be required.



1. Government requirements

Registration requirements

Income tax and contributions to the Social Insurance funds and the general health care system are the three main taxes associated with Cyprus payroll operations.

When hiring its first employee in Cyprus, the employer must register with the Tax Department as well as with the Social Insurance Services. After submitting the relevant application forms along with the required documents, a Tax Identification Code and a Social Insurance Number will be issued to the employer.

Employees must also register with the Tax Department and submit a personal income tax return (form TD1) by 31 July following the tax year of assessment.

As of tax year 2020, all individuals (employees and self-employed without the obligation to prepare Audited Financial Statements) with gross income, which is subject to income tax, should submit Form TD1 not later than 31 July of the year following the year of assessment.

A decree is expected to be issued by the Council of Ministers that will define certain categories of individuals and the conditions under which such individuals will be exempted from the obligation to submit Form TD1. It is further noted that the employees have an obligation to register with the Social Insurance Service to secure a social insurance number.

Income tax withholding by employers

Employers are required to withhold income tax from the emoluments of their employees under the Pay-As-You-Earn (PAYE) system and remit this, on a monthly basis, to the Tax Department by the end of the next month. Late payment results in the imposition of interest currently at 2.25% per annum (the interest rate is subject to change every year) from the due date and an additional penalty of 1% per month, both calculated on the basis of months completed.

Employees should provide to their employers the details of any additional income or eligible deductions outside their employment to be considered by their employer during the income tax withholding calculation. This can be done through a declaration of allowances claimed for the year (Form TD59).

An Employer's Return (Form TD7) should be submitted electronically by 31 May following the tax year of assessment, which is the same as the calendar year.

Tax residency and income tax

Cyprus tax resident employees are taxed on their worldwide income. In the case of non-Cyprus tax resident employees, income tax is levied on the income accruing or arising only from sources in Cyprus.

A Cyprus tax resident is an individual who stays in Cyprus for more than 183 days in the year of assessment. The definition also includes an individual who does not stay in any other state for one or more periods exceeding, in aggregate, 183 days in the same tax year and who is not considered a tax resident for tax purposes in any other state in the same tax year, provided the individual cumulatively meets the following criteria:

- ▶ Stays in the country for at least 60 days in the year of assessment
- ▶ Exercises any business in the country or is employed in the country, or holds an office for a tax resident in Cyprus at any time during the year of assessment

EY contact

Christoforos Socratous
T: +35722209738
E: christoforos.socratous@ey.com

- Maintains a permanent resident (owned or rented) in the country

Individual income tax rates in Cyprus

Taxable income	Tax Rate	Amount of tax	Accumulated tax
EUR	%	EUR	EUR
0-19,500	0	0	0
19,501-28,000	20	1,700	1,700
28,001-36,300	25	2,075	3,775
36,301-60,000	30	7,110	10,885
Over 60,000	35	–	–

*Taxable income over EUR60,000 is taxed at the rate of 35% and the accumulated tax will depend on actual amount of taxable income.

Significant exemptions for income tax purposes applying to expatriates

A legislation was voted in July 2022 regarding the 20% (article 8.21A) and 50% (article 8.23A) exemptions. In addition, an amended legislation has been voted in June 2023 regarding the 50% exemption (article 8.23A).

50% exemption: Article 8.23A (voted July 2022)

Remuneration from first employment which is exercised in the Republic by a person who was resident outside the Republic for a period of at least 10 consecutive years prior to the commencement of his or her employment in the Republic and the first employment in the Republic commenced after 1 January 2022.

The tax exemption is granted for a period of 17 tax years, commencing as of the year of employment in the Republic.

The tax exemption is granted in any year in which the remuneration from employment in the Republic exceeds EUR55,000, irrespective of whether in any tax year the said remuneration falls below EUR55,000, provided that during the first 12 months upon commencement of employment or in the second year of employment in the Republic the said remuneration exceeded EUR55,000.

There are also transitional rules for individuals who commenced employment between 2016-2021 and if specific conditions are met, they also become eligible for the 50% exemption. Individuals who were granted the 50% exemption in previous years under the previous article where the remuneration threshold was EUR100,000 continue to enjoy the benefit which is now extended to 17 years.

50% exemption: Amended Article 8.23A (voted June 2023)

Remuneration from employment which is exercised in the Republic by a person who was resident outside the Republic for a period of at least 15 consecutive years prior to the commencement of his or her first employment in the Republic and the first employment in the Republic commenced after 1 January 2022.

The tax exemption is granted for a period of 17 tax years or until the repeal of the said subsection of the Income Tax Law, commencing as of the year of commencement of first employment in the Republic.

The tax exemption is granted in any year in which the remuneration from employment in the Republic exceeds EUR55,000, irrespective of whether in any tax year the said remuneration falls below EUR55,000, provided that during the first or second year following the date of commencement of the first employment in the Republic the said remuneration exceeded EUR55,000.

There are also transitional rules for individuals who commenced employment between 2016-2021 and if specific conditions are met, they also become eligible for the 50% exemption. Individuals who were granted the 50% exemption in previous years under the previous article where the remuneration threshold was EUR100,000 continue to enjoy the benefit which is now extended to 17 years.

A person who was a beneficiary of the exemption of article 8(23A), prior to the publication of the amended article 8 (23A), continues to benefit from the exemption of 50% of the remuneration from first employment provided that the conditions of article 8(23A) are met as these were in force before the amended article 8(23A) came into force.

50% exemption under the old rules (Article 8.23)

Remuneration exceeding EUR100,000 per annum from any employment exercised in Cyprus by an individual who was a tax resident outside Cyprus prior to the commencement of employment. The 50% exemption applies for the first 10 years of employment. It is not available to individuals whose employment commenced on or after 1 January 2015, under certain conditions.

It should be noted that this exemption applies for employment which commenced up until the date the New Legislation was published in the Official Gazette of the Republic i.e. 26/07/2022.



20% exemption or EUR8,550, whichever is lower: Article 8.21A (voted July 2022)

Remuneration from first employment in the Republic by a person who for three consecutive years prior to the commencement of his or her employment in the Republic. The said tax exemption is granted to a person whose first employment in the Republic commenced after the date that the provisions of the new article were published in the Official Gazette of the Republic (i.e., after 26 July 2022) and up until the year 2027 inclusive.

An employee can claim either the 20% or the 50% exemption but not both.

It is noted that the tax exemption is granted for a period of 7 tax years following the year of employment in the Republic. However, if the 50% exemption (mentioned in the previous paragraph) is claimed, this 20% exemption does not apply.

20% exemption or EUR8,550, whichever is lower, under the old rules (Article 8.21)

Remuneration from any employment exercised in Cyprus by an individual who was residing outside Cyprus before the commencement of the employment. This exemption applies for a period of five years commencing from 1 January of the year following the commencement of the employment (provided the employment started during or after 2012). It should be noted that this exemption applies

for employment which commenced up until the date the new legislation was published in the Official Gazette of the Republic, i.e., 26 July 2022. However, if the 50% exemption (mentioned in the previous paragraph) is claimed, this 20% exemption does not apply.

Ninety days rule

This rule applies to any remuneration for the rendering of salaried services outside Cyprus to a non-resident employer in Cyprus or to a foreign permanent establishment of a Cyprus resident employer for a total aggregate period of more than 90 days in the year of assessment.

Lump sum payment

Cyprus tax residents are exempted from any lump sum payment from life insurance schemes or approved provident funds (conditional).

The following are some of the allowable deductions for income tax purposes (subject to further restrictions and conditions):

- ▶ Contributions to the Social Insurance and General Health System contributions
- ▶ Contributions to approved provident funds and medical insurance
- ▶ Subscriptions to trade unions or professional bodies
- ▶ Donations to approved charitable organizations



2. Pension requirements

The Social Insurance Scheme in Cyprus is financed by contributions paid by the employers, the insured persons and the Republic. The scheme provides benefits to insured persons, such as maternity allowance, sickness and unemployment benefits.

People who have reached the retirement age, which is currently 65 (early retirement may also be possible), and who meet the appropriate conditions in terms of their contributions to the Social Insurance Fund are entitled to a pension.

The contributions are calculated by applying the relevant contribution rates (as per the following table) to the weekly wages or monthly emoluments of the employee.

Calculation of contributions

	%
Self-employed individual	15.6
Employee	8.8
Employer	8.8
Employer's contribution to the Redundancy fund	1.2
Employer's contribution to the Human Resource Development Authority fund	0.5
Social Cohesion fund	2

The above-mentioned contributions, except to the social cohesion fund, are subject to an upper income limit of EUR5,239 per month or EUR1,209 per week for the year 2024.

Contributions to the General Health Care System

The General Health Care System in Cyprus came into effect on 1 March 2019. Its main purpose is to provide health care coverage to individuals. Under the system, an employer is responsible to withhold 2.65% from the employee's emoluments and contribute at the rate of 2.9% on such employee's income.

There is an annual cap of EUR180,000 for the payment of contributions to the General Health Care System.

In general, contributions to the Social Insurance and General Health Care System (subject to exemptions) are paid by an employer every month using the statement of emoluments and contributions form. The payment should be made no later than the end of the month following the month for which the contributions refer to. A penalty of 3% per month is imposed for late payments, with a maximum cumulative penalty of 27%.

3. Employment obligations

Minimum monthly salary

While many activities do not have an official minimum salary, vulnerable categories have a set minimum wage, depending on the activity.

Working time

As per the Cyprus Employment Law, the maximum hours of work per week is 48. The normal pattern of working hours in Cyprus is 40 hours per week. When the daily period of work is more than 6 continuous hours, the employee is entitled to a break with the duration of at least 15 minutes.

Minimum annual leave

Depending on the work schedule, employees who work 5 days per week are entitled to a minimum of 20 days of annual leave paid by the employer. The annual leave is extended to 24 days if the employees work six days a week.

Sick leave

Social insurance authorities are responsible for sickness allowance. After submitting the electronic application form through "Ariadni" portal to the authorities, an employee may be granted a sickness benefit from the fourth day of absence from work due to illness. The level of benefit is calculated as a percentage of the average weekly insured amount of earnings on which contributions were made by or for the insured person.

4. Payroll requirements*

Payment frequency

There is no specific guidance with respect to the standard pay period. Employers can adjust their pay periods according to the working conditions. Weekly or monthly payments are the most common, with most employers paying salaries by the end of each month.

* Changes are expected in this respect

Certificate of emoluments (Form TD63)

Although the general practice in Cyprus is to provide pay slips on a monthly basis in electronic or hard copy form, the employer is obliged to provide on an annual basis to its employees a certificate of emolument. This certificate includes inter alia, details of the employee, gross emoluments and relevant income tax, social insurance and general health care system contributions.

5. Banking requirements related to payroll

There are no specific requirements regarding the mode of payment. However, for the calculation of income tax, social insurance and general health care system deductions as well as contribution amounts should be converted to euro.

The settlement of PAYE can be made online or through bank wire transfer from a foreign bank account.

The payment of social insurance contributions can be made only through the online system namely, Social Insurance Online Contributions Payment System "SISnet", via JCC Smart payment website (debit or credit card is required) or by setting up a direct debit mechanism (bank account used should fulfill the criteria for execution of SEPA direct debits mandate).

Czech Republic

C



1. Government requirements

Registration requirements

Payroll tax

Every employer hiring at least one employee needs to register for payroll tax within eight days of employing the first employee. The payroll tax registration may be done together with other tax-related registrations and it is done electronically through the registered electronic databox of the employer or by a tax adviser. There is no governmental fee due for the registration.

Note that there is no tax registration which must be done for the employees by the employer.

Social security

The company is obliged to perform its social security registration with the Czech Social Security Authority as an employer when the first employee is hired. The registration is to be done within eight days. The registration form (“Přihláška do registru zaměstnavatelů” in Czech) needs to be filed with the locally competent social security authority either electronically, via databox, or must be personally signed by the employer.

After registration, the company is assigned with an identification (ID) number which is crucial for correct payment of contributions and for making submissions to authorities.

The employer is also required to arrange for the social security registration of their new hires, and this should be done within eight days as well. There is no governmental fee due for the registration.

Health insurance

There are currently seven public health insurance companies in the Czech Republic. The employer is obliged to individually register with each of the health insurance companies, at which the employees are registered.

The registration form (“Přihláška a evidenční list zaměstnavatele” in Czech) needs to be filed with the health insurance company either electronically or must be personally signed by the employer.

After registration, the company is assigned with an ID number which is crucial for the correct payment of contributions and for making submissions to the authorities.

In addition, the company needs to register every new hire. All registrations (when the company has hired its first employee and for every new hire) are to be done within eight days from the start of employment.

Mandatory risk insurance registration

Registration for the Czech mandatory risk insurance is due based on the Mandatory Insurance Act and needs to be done as soon as possible i.e., when the company has employed its first employee.

The registration form (“Přihláška k pojištění odpovědnosti zaměstnavatele za pracovní úrazy a nemoci z povolání” in Czech) needs to be filed electronically with the Kooperativa insurance company. Filing of mandatory risk insurance registration based on the power of attorney is possible.

EY contacts

Martina Kneiflová

T: +420 731 627 041

E: martina.kneiflova@cz.ey.com

Ondřej Polívka

T: +420 731 627 088

E: ondrej.polivka@cz.ey.com

Ongoing compliance requirements

Filing and payment obligations

The employers are obliged to operate monthly payroll for their employees. This mainly includes calculation of the payroll tax withholdings, social security, health insurance and mandatory insurance contributions, and filing of the related monthly and annual reports.

Payroll compliance

The Czech payroll is rather complex and employers are required to assume several obligations around social security benefits on behalf of the governmental institutions (e.g., payment of the sickness pay for certain period of time, keeping records of employees' absence due to illness and other reasons, calculating the assessment base for social security benefits and processing certain requests on behalf of the employees).

Further, the employers are required to calculate a so called average salary that is used as the basis for the calculation of vacation compensation, overtime pay and pay for certain types of absences. The average salary is to be calculated on the basis of the actual hours worked and the earnings for the previous calendar quarter. It is up to the employer to decide which of the salary items should be reflected in the average salary calculation. In addition, longer-term payments may need to be reflected over more quarters.

Some of the payroll related documents need to be archived for more than 30 years. As of 2023, annual wage lists and documents related to pension insurance need to be archived for subsequent 45 years.

Monthly tax compliance

There are two income tax rates. As of 2024, on a monthly basis, the 15% tax rate applies on income up to 1/12 of 36-multiple of the average monthly wage (i.e. CZK131,901 in 2024). Income exceeding this amount is subject to a 23% tax rate.

The respective personal income tax base is equal to gross taxable income (including salary as well as benefits in kind). As of 2024, current beneficial tax regime (i.e. tax exemption) for various selected benefits in kind will be cancelled or limited. There are also expected changes in taxation of employee share/stock option remuneration. Employee social security and health insurance contributions are not deductible.

Employees may apply for certain tax discounts within their monthly payroll (e.g., taxpayer tax discount and children tax relief) if specific declaration is made by the employee to the employer and related conditions are met.

The payroll taxes are to be remitted to the tax authorities by the 20th of the following month.

There is no monthly payroll filing due with regards to the tax authorities.

Annual tax compliance

The employers are required to file the annual payroll tax report ("Vyúčtování daně z příjmů ze závislé činnosti" in Czech) detailing the total monthly payroll tax due for all employees. The due date for filing of the annual payroll tax report is 20 March of the following year and it should be done electronically.

The employers are obliged to perform the so called annual tax reconciliation for employees who meet certain conditions. In order to qualify for this procedure, employees cannot have any other sources of income apart from their salary exceeding CZK20,000 (i.e., no foreign interests or dividends, no income from the rent of properties, etc. exceeding in total CZK20,000 or any other employment income not processed through payroll.)

The employees may apply certain tax reliefs within the annual tax reconciliation that cannot be reflected in the monthly payroll. It is the obligation of the employer to assess if the employees qualify for certain tax-based deductions or tax reliefs. Employers are expected to keep records of the documentation for the tax reliefs applied.

Sickness pay

Employers in the Czech Republic are required to reimburse the employees for their first 14 days of sickness. Starting from the 15th day, the employees receive sickness pay from the government.

In this respect, the employers are obliged to collect sickness certificates from the employees, maintain related records and make certain submissions to the social security authorities in this respect.

Social security compliance

Employers calculate the employee and employer social security contributions together with the payroll tax within the monthly payroll.

Czech social security contributions (calculated from gross income) amount to 24.8% for the employer and 7.1% (as of 2024) for the employee. Both employee and employer contributions are capped on annual basis, i.e., gross income exceeding the annual cap CZK2,110,416 in 2024 is not subject to the social security contributions.

As of February 2023, the social security contributions (employer's portion) in case of employees working part-time can be decreased to 19.8% if certain conditions are met.

The social security contributions are to be remitted to the authorities by the 20th of the following month. Every month, the employer has to report the contributions due to the social security authorities.

Health insurance compliance

Employers calculate the employee and employer health insurance contributions together with the payroll tax within the monthly payroll.

Czech health insurance contributions (calculated from gross income) amount to 9% for the employer and 4.5% for the employee. There is no cap for health insurance contributions.

The health insurance contributions are to be remitted to the authorities by 20th of the following month.

Every month, the employer has to report the contributions due to each of the health insurance companies at which the employees are enrolled.

Mandatory risk insurance

On a quarterly basis, employers are also obliged to calculate and remit the mandatory risk insurance contributions providing coverage against work-related injuries. Only employer contributions are due. The contributions are to be calculated based on the earnings for the previous calendar quarter. The rate depends on the industry and ranges from 0.28% to 5.04%.

The contributions are due by 31 January, 30 April, 31 July and 31 October.

There is no specific reporting that has to be done.

2. Pension requirements

There are no specific pension registrations or pension payments. While arranging for social security registrations, new hires are also automatically registered within the pension scheme and the contributions are part of the social security contributions.

Ongoing compliance requirements

At the end of the year, the employers are required to submit the old age pension sheets (“Evidenční list důchodového pojištění” in Czech) to the social security office. The due date is 30 April of the following year. Another copy of the document needs to be distributed to the employees.

3. Employment obligations

There is no employment registration to be arranged for domestic employees. Start of work activities of employees

from other EU countries or from third countries needs to be announced to the Labor office on the first day of work at the latest.

The employer must comply with labor law provisions that are quite demanding.

4. Payroll requirements

Pay slips

The employer is obliged to inform the employees about the salary components and withholdings made on a monthly basis. The pay slip can be provided either electronically or in a hard copy.

Wage list

The employers also need to keep a so called annual wage list (“mzdový list” in Czech) detailing mandatory personal information of the particular employee as well as year-to-date details on individual’s earnings and tax withheld. The Czech tax law requires that the wage list also includes the tax-free income as well as certain identification details (e.g., foreign tax identification number in case of Czech tax nonresidents).

Salary certificate

The employers are required to provide the employees with the annual salary certificate (“Potvrzení o zdanitelných příjmech ze závislé činnosti” in Czech) upon their request. This document is needed for the personal income tax return that the employees file on their own with the tax office.

Employers may be also asked by the employees to provide salary confirmation, e.g., for bank loan purposes.

5. Banking requirements related to payroll

It is the market practice that the net salaries are wired to the employee’s bank account. The employer is fully responsible for the wire transfer and bears all related costs.

Mandatory withholdings can be paid from a Czech or a foreign bank account. If payments are made from an overseas bank account, the charges should be accepted by the remitting bank so that the payments received by the authorities are not reduced by charges or exchange rate differences. Any differences will result in interest charges being levied on underpayments.

Employers’ identification numbers are crucial for correct assignment of the payments toward the authorities. Hence, they need to be indicated with the payments.



1. Government requirements

Registration requirements

Corporate forms

The most common corporate forms and foreign business registrations in Denmark are:

- ▶ Limited liability companies - Aktieselskaber (A/S) and Anpartsselskaber (ApS)
- ▶ Branch offices of a foreign company
- ▶ Non-Danish companies (tax registration of a foreign company, i.e., for permanent establishment, as employer, etc.)

A new Danish company or foreign business registration will be granted a commercial registration number (CVR number), which is an identification of the company, to be used in connection with all reporting to the authorities.

Tax registration (employer registration)

A new Danish company or business registration may register for tax purposes at the Danish authorities through the Danish Business Authorities' self-service portal at www.virk.dk.

The Danish entity must register as employer in order to process payroll to fulfill its monthly obligation to withhold A-tax and labor market contribution in accordance with section 46 of the Danish Withholding Tax Act (Kildeskatteloven) and section 7 of the Danish Labour Market Contributions Act (Arbejdsmarkedsbidragsloven).

Employees new to Denmark are required to apply for a Danish personal tax number (CPR number/Tax ID) to be enrolled in the Danish tax system and to be part of the payroll of the new Danish entity. The application for a CPR number can either be completed and submitted online at the Danish Tax Authorities website (www.skat.dk) or completed on the paper form 04.063 and send to Skattestyrelsen, Postboks 9, 4930 Maribo, Denmark.

Social security registration

As part of the employer registration, the Danish entity must register for payment and contribute to social security on behalf of employees covered by the social security legislation in Denmark.

Social security reporting is part of the monthly payroll reporting and is managed by the social security authorities called ATP.

Other registrations:

MitID (EasyID)

A new Danish company or branch/permanent establishment must acquire a business MitID. MitID is a legitimation log-in function that makes it possible for the management/administration of the entity to access public services online, such as the e-filing system of the Danish Tax Authorities (TastSelv), the self-service portal of the Danish Business Authority (virk.dk) or the entities mandatory digital mailbox (e-Boks).

A business MitID can be ordered at www.mitid-erhverv.dk.

EY contacts

Kristian Nørskov Stidsen
T: +45 25 29 52 59
E: kristian.n.stidsen@dk.ey.com

Jeannie Riberholt Hansen
T: +45 25 29 47 76
E: jeannie.r.hansen@dk.ey.com

NemKonto (EasyAccount)

All entities in Denmark are required to have a NemKonto. A NemKonto is the company's existing bank account that is assigned as a NemKonto. All payments from Danish Authorities are transferred directly to this account.

A local Danish bank account is assigned as NemKonto by the bank. A foreign bank account is assigned as NemKonto by completing the registration form - foreign NemKonto for companies - and send to NemKonto Support, Lauritz Plads 1, 9000 Aalborg, Denmark.

e-Boks (Mandatory digital mailbox)

The e-Boks system is key in communicating back and forth between your Danish entity and the authorities. Any information important to the company from the authorities is available only through e-Boks - this includes all letters from public authorities. e-Boks is also a crucial part of administrative operations in general.

e-Boks is set up automatically with the business registration but can only be accessed with MitID.

The e-filing system (TastSelv Erhverv)

TastSelv Erhverv is the e-filing system of the Danish Tax Authorities. The e-filing system is for payroll purposes applied by employers to report income information to the income register, eIndkomst.

TastSelv/eIndkomst is accessed through the Danish Tax Authorities website - www.skat.dk.

Ongoing compliance requirements

Monthly payroll tax

The company (employer) has payroll tax obligations on a monthly basis and there is no annual payroll tax reporting.

The company is required by law (please see above section) to withhold payable tax and Danish Labour Market contributions (AM-contribution). The tax rates are individual for A-tax but for AM-contribution it is 8%. There are possibilities for an expat tax scheme which could be applied for.

The size of the company determines when the reporting of tax and payment of the same, is due. The tax should be reported by the end of the present month for large companies and by the 10th in the upcoming month for smaller companies. The definition of small or large companies is if you pay more than DKK1 million in A-tax per year or not.

The reporting of income and taxes should be made through the e-filing system of the Danish Tax Authorities - eIndkomst.

Quarterly payment of social security

The social security contributions are collected on a quarterly basis. All entities registered with a CVR number will receive invoices in the entity's e-Boks (Digital Mandatory Mailbox) from ATP and Samlet Betaling.

Even though the company receives an invoice in their e-boks, ATP is calculated through the salary of each month and the base for the calculation is the normal working hours. The rate is paid with one-third from the employee and two-thirds from the employer. The rate varies depending on whether the employee is working full-time or part-time.

The amount on the invoice for ATP-HUSET/Samlet betaling is calculated from the basis of the reported ATP for the previous quarter, and the invoice should be paid manually as it does not have anything to do with the payroll run, but is only a fee/contribution to the state.

2. Pension requirements

Registration for pension is not required or mandatory but it is common practice in Denmark that the employer offers the employee a pension scheme within a pension provider. The pension scheme is an agreement between the employer and the pension provider. It usually covers some insurances as well, but this is depending on the individual agreement.

In case the company would like the employee to have a specific seniority before the pension scheme enters into force, this is also possible to agree with the pension company. The percentage (employer/employee) differs and is a matter of company policy. It is very common that the employee has the possibility to pay extra percentages/ amounts to the scheme.

There is also possibility for foreign employees to make a special agreement regarding the pension scheme (§53A) in order for them to be taxed immediately instead of at the time of retiring.

3. Employment obligations

Labor Law

The employer should comply with mandatory employment and labor laws for all employment issues such as:

- ▶ Working hours, rest hours, illness, personal data and vacations
- ▶ Salary frequency and any applicable minimum wage
- ▶ Occupational safety and health
- ▶ Any applicable collective bargaining agreement

Labor Contract Law

The employer should follow the Labor Contract Law to:

- ▶ Sign labor contracts with employees on time
- ▶ Renew labor contracts with employees on time
- ▶ Terminate labor contracts with employees in accordance with the applicable mandatory law

Danish Holiday Act

If the employees are following the Danish Holiday Act in regard to holidays, the employer is obliged to encourage the employees to use their holidays.

The Danish Holiday Act prescribes the use of concurrent holiday which means the employee is earning 2.08 days per month and these days could be used in the upcoming months. The earning period is 12 months (September to August) and the days earned in this period could be used in the same period and until December.

Absence (illness)

If an employee is ill on a long-term basis, there are possibilities to apply for reimbursement at the authorities. There are special conditions for the application and the first 30 calendar days are always paid by the employer, without any refund from the authorities.

4. Payroll requirements

There is no specific regulation related to payment frequency. It depends on the company policy or the employment contract. Monthly payment is the most common payment frequency.

Pay slips

The company is required to issue a pay slip to each employee. The pay slip should include the following information:

- ▶ The employee's salary
- ▶ The period for which the salary is covering
- ▶ The amount withheld in taxes and AM-contribution
- ▶ The name, address and the CPR number of the employee
- ▶ The employer's name, address and the CVR number of the employer

E-boks

The most common way of delivering pay slips in Denmark is by E-boks which is like a distribution central, from where the pay slips get distributed to the employees' E-boks.

Everyone with a Danish CPR number has an E-boks which is a digital mailbox.

5. Banking requirements related to payroll

Salary payments made by the company to its employees, including expatriate employees, must be in DKK and be transferred to a Danish Bank account.

The most common payment method in Denmark is through Mastercard payment services which works like a clearing house. Mastercard payment services payment files are standardized in most Danish payroll systems.

The agreement with Mastercard payment services is made between the company, your bank and Mastercard payment services. Mastercard payment services requires that the company has a Danish bank account.

Dominican Republic

D



1. Government requirements

Registration requirements

Registration of permanent staff with the Ministry of Labor is done via the “Sistema Integrado de Registros Laborales” (SIRLA) portal. The steps are as follows:

- ▶ Purchase a pin number for the “planilla de personal fijo” (permanent staff form) DGT-3. The cost is DOP700 per employee. This form is completed annually.
- ▶ The DGT-4 form is submitted monthly and reports events such as new hires or the departure of an employee.
- ▶ Purchase a “Libro de Visitas” (Visit Book). The cost is DOP350.
- ▶ Request access to the SIRLA portal.
- ▶ Register employees in the SIRLA portal using the DGT-form.

The following documents are required for the registration of permanent staff with the Ministry of Labor using the SIRLA portal:

- ▶ A letter addressed to the Ministry of Labor specifying that the employment contracts for the employees are being submitted.
- ▶ Four original contracts for each employee, detailing all information related to the company and employees (assuming registration is done in person, as opposed to online).
- ▶ Copy of the National ID Card (“cédula”) of each employee.

The following documents are required for registration with the social security authority “Tesorería de la Seguridad Social” (TSS):

- ▶ Employee registration form (DS-FO-003)
- ▶ Letter requesting registration, specifying the authorized representative, with the seal of the company and signature of the manager or president of the company
- ▶ Copy of the National ID Card of the company manager or president, and of the authorized representative
- ▶ Certification issued by the tax authorities “Dirección General de Impuestos Internos” (DGII) specifying the employer’s tax regime and date of registration
- ▶ Copy of the Tax ID certificate “Registro Nacional de Contribuyentes” (RNC), issued by the tax authorities
- ▶ Copy of the bylaws
- ▶ Copy of the last assembly minutes
- ▶ Copy of the Mercantile Registry (“Registro Mercantil”)

Tax authorities

Every individual or legal entity must register in the Unique Tax Registry when starting any lucrative activity or business (sale of goods or provision of services), subject to a tax under the administration of the General Tax Office.

General requirements:

- ▶ Form for registration and updating of company data (Form RC-02) - completed, stamped and signed with the corresponding annexes
- ▶ Copy of the Commercial Registry certificate
- ▶ Copy of the trade name certificate issued by the National Office of Industrial Property (“Oficina Nacional de la Propiedad Industrial” - ONAPI)
- ▶ Copy (both sides) of the National ID Card of the shareholders, and copy of passport in the case of foreigners.
- ▶ Copy of the birth certificate (if shareholder is a minor)*

* According to applicable laws, minors can become shareholders of companies, but they must be represented by their parents or legal guardians as partners or shareholders. Minors cannot perform managerial functions in a company.

EY contacts

Antonio Ruiz

T: +506 2208 9800

E: antonio.ruiz@cr.ey.com

Jose Pablo Artavia

T: +506 2208 9891

E: pablo.artavia@cr.ey.com

Yazmín Duarte

T: +506 2208 9800

E: yazmin.duarte.zeledon@cr.ey.com

Evelin Leal

T: +502 2461 3174

E: evelin.leal@gt.ey.com

Important: Payment receipt for 1% of the social capital must also be included in the form RC-02.

Ongoing compliance requirements

The following are the compliance requirements for employers before the corresponding government bodies:

- ▶ Monthly income tax withholding return (form IR-3), for which a receipt is generated by the tax authorities. Payment is due by the 10th day of each month.
- ▶ Monthly social security contribution form, for which a receipt is generated by the social security authority. Payment is due by the third business day of each month.
- ▶ Monthly INFOTEP form, for which a receipt is generated by the social security authority. Payment is due by the 10th day of each month.
- ▶ Annual confirmation of active employees, exclusion of terminated employees and projection of vacation days that will be taken by the employees during the year to the SIRLA.
- ▶ An annual reconciliation of income tax withholdings is sent to the tax authorities, which is a breakdown of all the income tax withheld from employees' pay during the fiscal year (IR13). This is submitted by 15 March each year.
- ▶ The DGT-4 form is submitted monthly, if the company has any event to report such as a new hire or the departure of an employee.

2. Pension requirements

Registration requirements

There are several pension fund administrators in the Dominican Republic, such as AFP Reservas, AFP Popular and Scotia Crecer AFP. These are independent from the pension fund to which the employee typically contributes at a rate of 2.87% per month. The contribution base is capped at DOP374,040.

This amount can vary during the year, in which case, a notification is posted on the social security authority's web page.

INFOTEP

There are two mandatory contributions for for-profit companies:

- ▶ 1% of the salaries paid monthly
- ▶ 0.5% withheld from the annual profits that workers receive from their employers (i.e., the annual bonus)

3. Employment obligations

Employer contributions	Percentage	Maximum cap to rate (DOP)
AFP	7.10%	325,250
TSS	7.09%	162,625
Instituto Nacional de Formación Técnico Profesional (INFOTEP)	1.00%	
Labor risk	1.10%	65,050
Christmas bonus accrual	8.33%	
Company profits accrual	16.67%	
Vacation accrual (14 días)	3.89%	
Severance accrual (1 a 5 años 13 días)	3.61%	

Minimum wages

According to Article 178 of the Dominican Labor Code, workers acquire the right to vacation every time they complete one year of uninterrupted service in a company. If they work under a contract for an indefinite period and, without any fault on their part, cannot provide uninterrupted services for a year because of the nature of their work or due to any other circumstance, they are entitled to a period of vacation proportional to the time worked, if it is more than five months (Article 179).

For employees who cannot complete a year of work without interruption, Article 180 establishes the following scale:

- ▶ Workers with more than five months of service get six days of vacation.
- ▶ Workers with more than six months of service get seven days of vacation.
- ▶ Workers with more than seven months of service get eight days of vacation.
- ▶ Workers with more than eight months of service get nine days of vacation.
- ▶ Workers with more than nine months of service get 10 days of vacation.
- ▶ Workers with more than 10 months of service get 11 days of vacation.
- ▶ Workers with more than 11 months of service get 12 days of vacation.

Law 16-92 of the Labor Code states that the employer is obliged to pay the worker a payment of one-twelfth of the ordinary salary they have earned during the calendar year (i.e., "13th salary" or "Christmas bonus"). The period determined for the employer to pay the Christmas bonus is from 6 December to 20 December.

The general minimum wage is currently between DOP13,685 and DOP24,150, depending on the size of the company (based on the number of employees and annual sales). The minimum wage for workers in the FTZ sector is DOP16,002.25.

Participation in company profits:

According to Article 223 of the Dominican Labor Code, every employer is obliged to grant a participation equivalent to 10% of the annual profits or net income to all its workers with an indefinite contract.

According to the aforementioned Article 223, said individual participation will not exceed 45 days of ordinary salary for those workers whose length of employment does not exceed three years; and 60 days when it exceeds said period.

This must be paid within 90 to 120 days after the close of the company's fiscal year. This is because the closing of most companies in Dominican Republic coincides with the closing of the calendar year i.e., on 31 December, that term expires on 30 April.

It is not considered salary for the purposes of calculating labor benefits, nor subject to social security contributions, but it is subject to income tax withholdings and the 0.5% INFOTEP payment.

4. Payroll requirements

- ▶ As per statutory requirements, employees in the Dominican Republic must receive either monthly or biweekly payments.
- ▶ Monthly income tax withholding return (form IR-3), for which a receipt is generated by the tax authorities. Payment is due by the 10th day of each month.

- ▶ Monthly Social Security contribution form, for which a receipt is generated by the social security authority. Payment is due by the third business day of each month.
- ▶ Monthly "INFOTEP" form, for which a receipt is generated by the social security authority. Payment is due by the 10th day of each month.
- ▶ Annual confirmation of active employees, exclusion of terminated employees and projection of vacation days that will be taken by the employees during the year to the SIRLA.

The above dates must be calculated taking into account possible holidays and weekends in the calendar year (i.e., if the 10th day of the month is a weekend or holiday, the deadline is extended to the next working day).

5. Banking requirements related to payroll

This information is not available.



1. Government requirements

Registration requirements

In order to incorporate an organization in Ecuador, it is necessary to complete some mandatory steps to operate under the local legislation.

Organizations could be incorporated by private document which must be recorded before Mercantile Registry (for Corporations and Limited Liability Company) or Superintendence of Companies Registry (for Simplified Corporations). In certain cases, a public deed is required instead.

After completing the registration with either the Mercantile Registry or the Superintendence of Companies Registry, the organization should obtain the Tax ID Number from the Internal Revenue Services (SRI), which serves as the local Tax Administration.

Once the company is duly incorporated, it is required to obtain a user ID in the Social Security Web Page. For this procedure, a copy of the Tax ID number and the application form must be submitted and delivered to the Social Security Institute (IESS).

An additional registration on the Labor Ministry's Sistema Único de Trabajo (SUT) website is required in order to legalize contracts, dismissals, social benefit payments and any other labor requirements. This registration is performed online and no physical supporting documentation is needed or required.

To finalize the registration requirements, the company must obtain the operating permit issued by the Municipality. For this purpose, the permission of the Fire Department is required.

Additionally, a new type of Simplified Corporation (SAS), which allows a simpler and more economic management with the same benefits as other types of companies, can be constituted in Ecuador.

SAS companies do not require minimum capital for their constitution. In addition, they do not have any billing limit nor extension. SAS could not negotiate its shares in the stock market. In addition, this type of company cannot perform activities related to financial operations, stock market or insurance sector.

Ongoing compliance requirements

Tax administration

- ▶ Monthly income tax withholding return which includes employee taxable basis and income tax withheld
- ▶ Annual income tax withholding appendix (RDEP)

Social security

- ▶ Monthly social security report information uploaded to the social security system

Labor Ministry's SUT website

- ▶ Legalization of contracts and employee terminations
- ▶ Legalization of social benefits paid to employees (once a year, when payment is made)

EY contacts

Alex Suárez

T: + 593 (9) 6315 5777

E: alex.suarez@ec.ey.com

Maria Estefania Espinosa

T: +593 (9) 6315 5777

E: maria.espinosa@ec.ey.com

Jonnathan Andrango

T: +593 (9) 6315 5777

E: jonnathan.o.andrango.alvarez@ec.ey.com

Deductions

a. Income tax

For Ecuadorian purposes, all earnings provided in cash, services or in kind are subject to income tax unless they are specifically exempted by law.

Every February, the employer will make a projection of the annual income to be received by the employee and apply progressive tax rates in force to estimate the amount of income tax to be withheld¹. Taxable basis is calculated by summing income and deducting the employee social security contribution.

Employees may apply a discount related to personal expenses over the income tax triggered equivalent to 18%. The discount applied will also be based on the number of family dependants of the employee and measured with basic basket unit (USD789.57). The maximum amount will be as follows:

Number of dependents	Basic basket	Maximum value of personal expenses	Discount on the annual income tax
0	7	5,526.99	994.86
1	9	7,106.13	1,279.10
2	11	8,685.27	1,563.35
3	14	11,053.98	1,989.72
4	17	13,422.69	2,416.01
5 or more	20	15,791.40	2,842.45
Disability, orphan or catastrophic illness	100	78,957.00	14,212.26

Income tax progressive chart for individuals 2024

Lower	Upper	Lower tax	Upper tax %
–	11,902	–	0
11,902	15,159	–	5
15,159	19,682	163	10
19,682	26,031	615	12
26,031	34,255	1,377	15
34,255	45,407	2,611	20
45,407	60,450	4,841	25
60,450	80,605	8,602	30
80,605	107,199	14,648	35
107,199	9,999,999	23,956	37

¹ Income tax rates are updated on an annual basis by the Ecuadorian Tax Authorities.

Personal expenses must be supported with sale receipts issued in Ecuador which must include complete personal information of the individual, spouse or dependent children.

For personal expenses purposes, family dependants are:

- ▶ Spouses
- ▶ Children under 21 years old or children with a disability of any age
- ▶ Parents provided that the dependants do not have taxable income and the employee fully pay for their personal expenses

Employees will be responsible to provide the company the supporting documentation.

The applicable amounts for personal expenses can be distributed among six components (health, education, housing, clothing, food and tourism) or within one component, not for deduction purposes but for the discount on income tax triggered. The costs incurred for food, health, education and clothing for pets can also be included as personal expenses.

The employer is required to issue an annual withholding form named "Form 107", which is considered the employees annual Income Tax Return as long as the employee does not receive other sourced income. The employer must deliver the form to all employees, no later than 31 January of the following fiscal year.

b. Social security

To determine the social security contribution basis (taxable amount), the following must be considered: the monthly basic salary plus the amounts received for extraordinary work, commissions, bonuses or any other remuneration of a normal nature in the industry or service.

The social security contribution is mandatory for the employee and the employer portions:

- ▶ The employee's contribution is equivalent to 9.45% of the monthly taxable amount.
- ▶ The employer's contribution corresponds to 12.15% of the employee's monthly taxable amount.
- ▶ The legal representative contribution is 17.6%.

2. Pension requirements

Social security pension

All employees registered in the social security system are entitled to a pension plan.

Employer pension plan

Under Ecuadorian Labor Code, employees who have worked for more than 25 years for the same employer are entitled to receive an employer pension. If the employee is terminated by dismissal between year 20 to 25, a portion of the pension shall be paid. Pension amount shall be calculated by a certified actuary.

Ongoing compliance requirements

Social security pension

In order to receive pension plans, employees must have met one of the following conditions:

Age	Contributions (months)	Years of contribution
No age restriction	480 or more	40 years or more
60 years or more	360 or more	30 years or more
65 years or more	180 or more	15 years or more
70 years or more	120 or more	10 years or more

Employer pension plan

Pension accrual shall be calculated by a certified actuary.

3. Employment obligations

Employee's contract

As a general rule, all contracts signed with employees must be permanent contracts (not fixed time) with 90 days of trial time which would be used to verify their capability to accomplish with the position assigned and determine their continuance in the company. If a termination is made within the 90 days trial, no indemnification payments should be performed.

Permanent contracts must be registered in the Labor Ministry's SUT website within 30 days of the start date.

The Organic Law for humanitarian support published in the Official Gazette on 22 June 2020 establishes the emergency contract. This is an individual work contract for a defined time that can be used for the sustainability of production and revenues in an emergency situation or for new investments or business service/product lines, expansion of business, modification of businesses, goods of services supply increase or in the case of needs of greater demand for production or services.

The contract will be signed for a maximum term of one year and can be renewed only once for the same term.

At the end of the contract term or if the termination is decided by the employer or employee before the term, the

employee will receive the pending wages and the bonus for eviction.

If the employment relationship continues after the term of the contract, the contract will be considered indefinite.

There are other types of contracts that have a fixed time, however they usually refer to a specific labor with a start and end date.

Maximum working hours

In Ecuador, the maximum working hours are eight per day, and these must not exceed 40 hours per week.

In exceptional cases, due to business requirements and based on regulations issued by the Ministry of Labor, special working schedules might be applied in which working days and days off are consecutive.

Working hours may be distributed in a regular way on the five working days of the week and overtime is subject to additional payments.

Remuneration - components and benefits

a. Remuneration definition and payment

Remuneration is compounded by all income received by the employee in cash, kind or services, including compensation for extraordinary work, commissions, and individual contributions to the Ecuadorian Social Security Institution - IESS (when borne by the employer), as well as any other compensation associated to the industry or service.

The remuneration cannot be less than the Monthly Sectorial Minimum Wage established according to the law in force.

For the year 2024, the monthly minimum wage is USD460.

b. Overtime payments

Supplementary hours

The working hours that exceed the aforementioned limits are subject to the payment of a surcharge where the percentage varies according to the schedule in which they occur. Such hours cannot exceed four in a day nor 12 hours in a week.

If overtime takes place during the day or until midnight, the employer will pay the compensation corresponding to each of the additional hours plus a 50% surcharge. If these hours are incurred between midnight and 6 a.m., the employee will be entitled to a 100% surcharge.

Extraordinary hours:

The work performed on resting days and holidays must be paid with a 100% surcharge.

The surcharge for the payment of overtime is calculated according to the value of one working hour during daytime, applying the following formula:

$$\text{Base salary/Number of regular monthly working hours (240 hours)}$$

Sample:

Monthly base salary: USD5,000

Supplementary hours: 3

Extraordinary hours: 2

Amount per working hour = Monthly base salary (5,000) / 240 = **USD20.83**

Surcharge for supplementary hours = Amount per working hour (20.83) * 1.50 * Number of supplementary working hours (3) = **USD93.75**

Surcharge for extraordinary hours = Amount per working hour (20.83) * 2 * Number of extraordinary hours (2) = **USD83.33**

Supplementary and extraordinary hours must not exceed 12 hours per week.

c. Labor benefits

Thirteenth remuneration (Christmas bonus)

Employees are entitled to receive a remuneration equivalent to the 12th portion of the annual remuneration, payable on a monthly basis or a one-time payment up to 24 December, depending on the employees' choice.

This remuneration is exempt for income tax and social security contribution purposes.

Fourteenth remuneration (Education bonus)

Equivalent to one basic salary (USD460 for the year 2024), it is payable on a monthly basis or a one-time payment up to 15 March (if employees are located in the Coast Region) or 15 August (if employees are located in the Andean and Amazonian Regions). This remuneration is exempt for income tax and social security contribution purposes.

Vacations

Employees are entitled to an annual uninterrupted period of 15 days of rest, including non-working days, as of the first year of employment.

Employees who have worked for more than five years in the same company or the same employer, will have the right to one day of vacation for each year that exceeds the fifth year or he or she will receive in money the remuneration corresponding to exceeding days.

Reserve funds

From the beginning of the second year of employment, employees are entitled to receive the 12th portion of their remuneration on a monthly basis. This amount could be

paid to the employee whether on a monthly basis or paid to the Ecuadorian Social Security Institute every month, depending on the employee's choice.

Reserve funds are exempt for income tax and social security contribution purposes.

Profit sharing

Employees are entitled to participate in the profits of their employer for every fiscal year (1 January and 31 December). The percentage is equivalent to 15% of the company's profit and is distributed as follows:

- Ten percent (10%) will be split for the employees of the company, without regard to the remuneration received by each of them during the year corresponding to the distribution and will be delivered directly to the employees.
- Five percent (5%) will be delivered directly to the employees, in proportion to their family dependents, understanding these to be the spouse or partner in a de facto union, children under the age of eighteen years old and disabled children of any age.

Profit sharing must be paid by 15 April every year and is subject to income tax.

Especial conditions are applicable to mines, oil and gas industry employees.

Termination of the labor relationship

In general terms, the labor relationship may end by mutual agreement, untimely dismissal or by justified termination.

In case of mutual agreement or untimely dismissal, the employee will be entitled to receive an indemnification bonus for eviction, equivalent to 25% of the last monthly income received in payroll (includes salary, commissions, overtime, among others) for the years worked.

In addition to the eviction bonus, employees terminated by untimely dismissal shall receive a termination indemnification corresponding to one month of remuneration for every worked year (not only entire years). In cases where the individual has worked less than three years, they will receive at least three months of remuneration.

Additionally, the employer may terminate the employment contract with a justified motive, with the Labor Ministry's approval, in the following cases:

- ▶ For repeated and unjustified absences of punctuality or attendance at work or abandonment of it for more than three consecutive days within a month
- ▶ For serious misconduct or disobedience of the Internal Regulations legally approved by the Labor Authorities
- ▶ For lack of integrity or unethical conduct of the employee
- ▶ For serious injuries to the employer, their spouse, ascendants or descendants or their representatives
- ▶ For ineptitude of the employee regarding the performance of the labors for which he was contracted

- ▶ Unjustified complaint against the employer regarding to their obligations of social security
- ▶ For the lack of compliance with safety, prevention and health regulations

In the event that the reason relied on by the employer is proven, no compensation would be generated in favor of the employee.

4. Payroll requirements

Payment frequency

Payment frequency will be established in the labor contract. According to the Labor Code, payments depend on the type of activity/role performed, however, the most common are weekly for employees (physical activities prevailing) and monthly payments (intellectual activities prevailing).

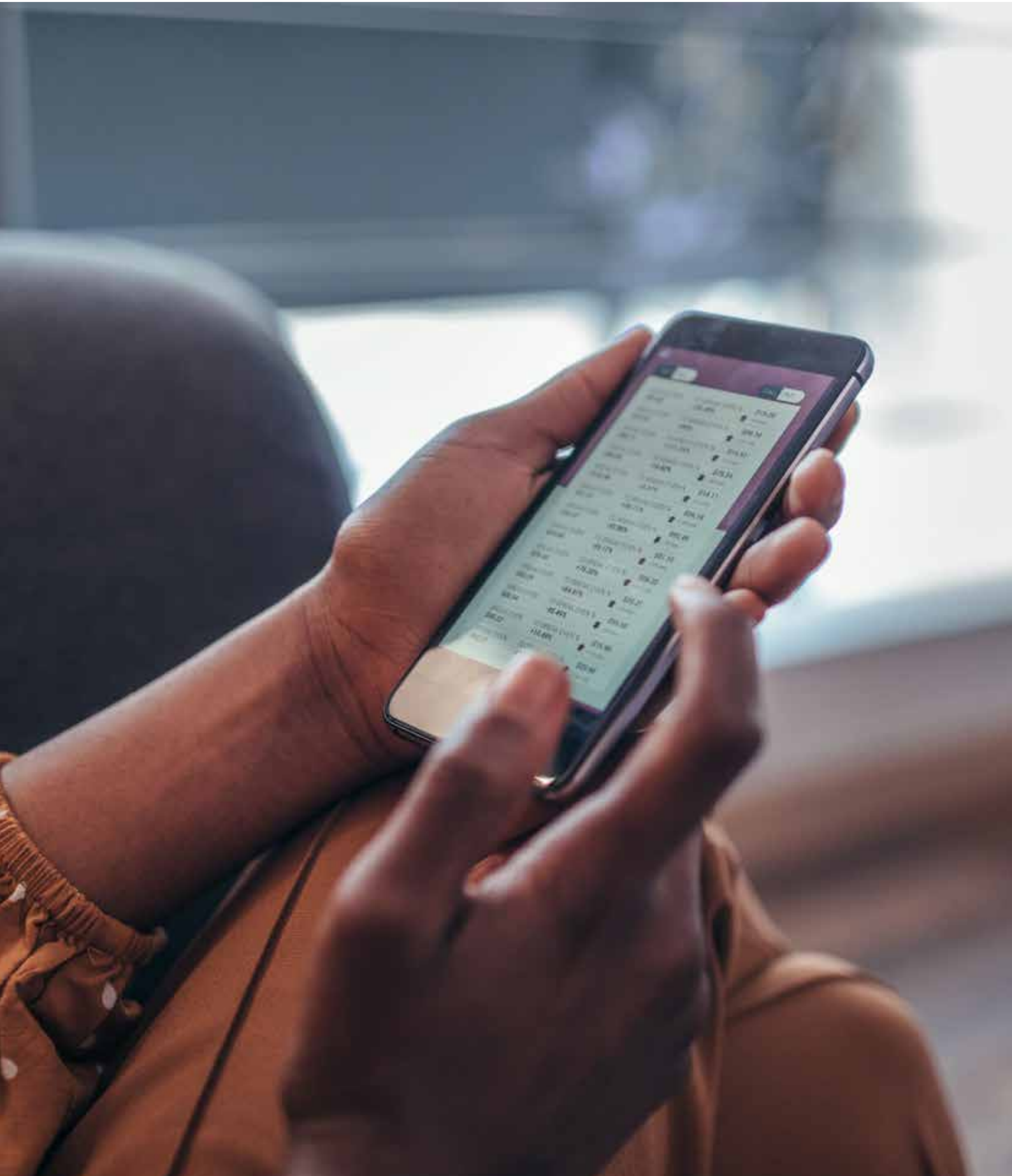
Pay slips

Pay slips should be provided on a monthly basis in electronic or hard copy form.

5. Banking requirements related to payroll

Payroll payments must be done using Ecuadorian financial institutions in local currency (US dollars). If payments are made to foreign accounts.

Payments shall be made in accounts where the employee is the account holder.



1. Government requirements

Registration requirements

Tax registration

All legal entities should be registered for taxes with the Egyptian Tax Authority and have a tax ID in order to file the related Personal Income Tax (PIT).

PIT

PIT applies to salaries and similar remuneration as follows:

- ▶ All earnings due to the taxpayer resulting from work with third parties with or without a contract, periodically or non-periodically, whatever the name, form or reason for those earnings, whether they are for work performed in Egypt or abroad and paid by a source in Egypt. This includes wages, remunerations, incentives, commissions, grants, overtime, allowances, shares and portions in profits, as well as monetary privileges and allowances.
- ▶ Earnings due to the taxpayer from a foreign source for work performed in Egypt.
- ▶ Salaries and remunerations of chairpersons and members of the board of directors in public sector companies that are not shareholding companies.
- ▶ Salaries and remuneration of chairpersons and members of the board of directors, in all other cases.

Tax is imposed on the total net income of natural persons, resident and nonresident (for income derived in Egypt). The tax year is based on the calendar year.

PIT also applies to all amounts paid to nonresidents by the entity or organization in Egypt employing them for performing services under its supervision, at the rates mentioned below mentioned after deducting the costs and exemptions prescribed by law.

Employers and those responsible for paying the taxable income, including companies or projects established under the Free Tax Zone system, are required to retain from the amounts payable to the nonresident an amount on account of the tax payable according to the tax law.

For nonresident employees, a certificate of income and a withheld taxes statement is sufficient evidence for an individual's income. An individual does not need to get a tax clearance certificate before leaving Egypt.

The following is exempted from PIT base:

- ▶ An annual personal exemption of EGP15,000 for taxpayers provided that the first bracket exemption is EGP21,000. Accordingly, the total exemption will be EGP36,000 annually.
- ▶ Social insurance and other contributions to be deducted according to the provision of the social insurance laws or any alternative systems.
- ▶ Employees' contribution to private insurance funds established according to the provisions of Law No. 54 of 1975.
- ▶ Premiums of life and health insurance on the taxpayer and any insurance premiums for pension entitlement.

The current Income Tax Law (Law) granted group in-kind benefits that are not subject to tax as follows:

- ▶ Meals distributed to workers
- ▶ Collective transportation of workers or equivalent transportation cost

EY contact

Eman Atef
T: +202 272 60620
E: eman.atef@eg.ey.com

- ▶ Health care
- ▶ Tools and uniforms necessary for performing work
- ▶ Tenements provided by the employer to workers for performing their work

Any other in-kind benefits will be subject to tax. These include:

- ▶ Workers' share in the profits to be distributed according to the Law.
- ▶ Cars placed at the personal disposal of the worker: The value of the benefit shall be determined at 20% of the value of fuel, insurance, and periodical maintenance connected with these cars, whether they are owned by or rented by the company.
- ▶ Cellular phones: The benefit shall be determined at 20% of the cellular phone related expenses through the year.
- ▶ Loans and advances offered by the employers: In case the employer extends a loan to the worker exceeding the total income obtained by the worker during the six months prior to obtaining the loan, interest free or with an interest of less than 7%, the value of the benefit shall be determined at 7% or at the difference between the loan interest rate is less than 7%. The loan shall comprise any of its forms, including the amounts paid in advance or appearing in the employer's books and registers and charged to the worker's account.

- ▶ Life insurance policies on the worker, his or her family, or his or her properties: The value of the benefit shall be determined at the premiums paid by the employer during the year.
- ▶ The company's stocks granted at a value less than the market value of the stock: The value of the benefit shall be determined on the basis of the difference between the market value of the stock on the date it is obtained, and the value reckoned for the worker. In case restrictions exist on alienating the ownership of stocks, the benefit shall not be realized except after removal of these restrictions.

Ongoing compliance requirements

Tax returns and compliance

In accordance with the Egyptian Income Tax Law, as amended, it is the employer's responsibility to deduct income tax from the income of the individuals. The income tax rates on the income of natural persons have been amended to reduce the tax burden on low-income taxpayers.

The table below shows the tax brackets from November 2023.

Income tax rate	Annual net income less than 600,000	Annual net income more than 600,000 and less than 700,000	Annual net income more than 700,000 and less than 800,000	Annual net income more than 800,000 and less than 900,000	Annual net income more than 900,000 and less than 1,200,000	Annual net income more than 1,200,000
0%	From 1 to 30,000					
10%	From 30,000 to 45,000	From 1 to 45,000				
15%	From 45,000 to 60,000	From 45,000 to 60,000	From 1 to 60,000			
20%	From 60,000 to 200,000	From 60,000 to 200,000	From 60,000 to 200,000	From 1 to 200,000		
22.5%	From 200,000 to 400,000	From 200,000 to 400,000	From 200,000 to 400,000	From 200,000 to 400,000	From 1 to 400,000	
25%	From 400,000 to 1,200,000	From 400,000 to 1,200,000	From 400,000 to 1,200,000	From 400,000 to 1,200,000	From 400,000 to 1,200,000	From 1 to 1,200,000
27.5%						More than 1,200,000

* All amounts are in EGP

* The sum of annual net income shall be rounded upon computation of the tax-to the nearest lower ten EGP.

Every employer is responsible for withholding the salary tax on a monthly basis and remit the withheld amount to the tax authority on a monthly basis noting that the due date for the month is 15 days from the month end for each month.

Every employer is responsible for declaring and submitting the quarterly salary tax form to the tax authority declaring the total salary subject to tax and tax deducted from each quarter.

Every employer is responsible at the end of each calendar year to submit an annual reconciliation including all the amounts that was subject to tax and the total annual tax paid. The annual reconciliation will also show if there any differences between the salary tax paid on a monthly basis and the total taxes that should be paid, which difference should then be paid.

Per the new Law No. 30 of 2023, The non-primary taxpayers shall deduct a 10% tax from the employee's taxable income and remit it to tax authority but shall not be considered as a final tax, rather than as an advance tax payment.

The non-primary taxpayer is required to notify the primary taxpayer and the Egyptian Tax Authority (ETA) with the person's income and tax deducted and the primary taxpayer must then calculate the tax brackets and reconcile the actual tax due and the tax that has already been deducted.

Unified tax procedures law

In detail, Law No. 206 of 2020 on tax procedures mandates the submission of the following:

a. Quarterly salary tax returns

Online submission of the quarterly salary tax returns on the Egyptian Tax Authority (ETA) portal within the prescribed deadlines (end of: January, April, July and October from each year) including specific requirements as follows:

- ▶ Number of employees
- ▶ Employees' full names
- ▶ Total gross salaries and in-kind benefits
- ▶ Total salaries tax due
- ▶ Total net salaries
- ▶ Copy of the monthly payment receipts
- ▶ Analysis of any changes to the employees

b. Annual salary tax reconciliation

An annual salary tax reconciliation should be submitted online via the ETA's portal before the end of January each year including the total employee's remuneration and excluding the total deductions and exemptions set by the law. It is the employer's responsibility to pay and settle any tax differences without breaching its right to deduct such amounts from the employees.

c. Penalties for non-compliance

Below are two ranges of penalties for non-compliance:

From EGP3,000 to EGP50,000 for the following:

- ▶ Late submission of tax return within 60 days from the filing due date
- ▶ Declaring wrong data resulting in lower tax due
- ▶ In case of repeating the previous actions, the penalties should be multiplied three times for both minimum and maximum penalties

From EGP50,000 to EGP2,000,000 for the following:

- ▶ Late submission of tax return more than 60 days from the filing due date
- ▶ In case of repeating the previous actions within three years, the penalties shall be multiplied three times for both minimum and maximum penalties.

In light of the Unified Tax Law No. 206 of 2020 and pursuant to the digitalization project adopted by Ministry of Finance, a number of decrees related to unifying the salary tax calculation have been announced recently.

Decree No. 386 of 2023 was issued on 3 September 2023. It outlined the detailed phases for implementing the new unified payroll system. The law categorized the taxpayers to apply the new system per each stage and stated start date.

Once effective, the monthly salaries and benefits will be uploaded according to the portal template, which includes the entire employee's monthly entitlements in a more detailed format. The template needs to be completed accurately and it requires more details like social insurance number, national ID number, number of employees dependents wife and children, employees' active mobile number and additional data.

The Ministry of Finance (MOF) announced in December 2022 the launch of the trial run of the system with the collaboration of key stakeholders. The new system is one step forward toward the tax authority development plan and the government digitalization agenda. It offers taxpayers one unified platform, which calculates all the payroll tax due on salaries and wages electronically, and this is applicable to all companies in the different sectors.

The MOF issued a chain of decrees, related to the unified payroll system phases as follows:

- ▶ On 13 March 2023, Decree No. 173/2023 was issued requiring 16 entities as part of the pilot phase, to implement the new system for standardization of the bases and criteria for calculating tax on wages and salaries. This decree was applied from 15 March 2023. (Phase 1)
- ▶ On 30 March 2023, Decree No. 175/2023 was issued requiring 300 entities over two separate stages to implement the new system. The first stage involved 100 entities from 15 May 2023 and second stage involved

the other 200 entities from 15 June 2023 testing environment was available for the first time along with published guidelines. (Phase 2)

- ▶ On 20 May 2023, Decree No. 251/2023 required 327 entities to implement the new system from 15 August 2023. (Phase 3)
- ▶ On 3 September 2023, MOF issued Decree No. 386 of 2023, announcing the remaining phases for implementing the new unified payroll system. The law categorized the taxpayer to apply the new system per each stage and assigned start date as follows:

Phase	Taxpayers	Implementation date
Phase 4	Large Taxpayers 1 (500 entities)	15 October 2023
	Large Taxpayers 1 (1,000 entities)	15 December 2023
	The remaining entities registered as Large Taxpayers 1.	15 February 2024
Phase 5	Large Taxpayers 2	15 April 2024
Phase 6	The remaining entities registered at other taxpayers' centers, as follows: <ul style="list-style-type: none"> ▶ Joint stock tax office ▶ Investment tax offices in Cairo, Alexandria and South Wadi 	15 July 2024
Phase 7	Entities registered at Cairo's forth tax region and all taxpayers compact centers.	15 October 2024
Phase 8	The remaining entities not covered above.	15 December 2024

2. Pension requirements

Registration requirements

The Social Insurance Authority

According to Social Insurance Law No. 79 of 1975, every employer is obliged to insure his or her employees under the Social Insurance Authority system. By law, employers are required to subscribe to the social insurance system. Otherwise, they may be subject to sanctions.

The company must open a company file and register employees with the relevant social insurance office. For

Egyptian and non-Egyptian employees, social insurance provides compensation for disability, retirement (pension), unemployment and work-related injuries.

A new law on social insurance, Social Insurance Law No. 148/2019 (New Social Insurance Law), was issued on 19 August 2019 and entered into force on 1 January 2020. The Law replaced Law No. 79/1975 on Social Insurance (the Old Social Insurance Law), Law No. 108/1976 on Social Insurance for Employers and the like, Law No. 50/1978 on Social Insurance for Egyptians working abroad, as well as various other regulations and decrees. This means that all categories of insured persons are subject to the New Social Insurance Law instead of the old laws.

The contribution rates/percentages to be deducted from the social insurance salary (i.e., fixed salary taking into account the threshold for social insurance mentioned below) of the insured persons (employers and employees) have changed. An annual increase for the fixed salary threshold is up to 15% starting from January 2021 for seven years (till January 2027). The threshold should be grossed up to nearest EGP100.

Starting from January 2024, the new thresholds for the social insurance portion are as follows:

- ▶ Minimum monthly threshold: EGP2,000 (EGP24,000 annually)
- ▶ Maximum monthly threshold: EGP12,600 (EGP151,200)

The employee and employer's percentages of contribution remain the same. The employee contribution is 11% and the employer contribution is 18.75%.

The New Social Insurance Law set the retirement age for employees and Egyptians working abroad at 60 years old. The Law also set the retirement age for employers and non-regular employees at 65 years old. However, by 2040, the Law stipulates that the retirement age for all categories will be 65 and shall increase gradually until then. The Prime Minister will issue decrees stipulating the gradual increases.

A unified retirement fund will be established for all categories and all types of insurance. A separate account will be made for each type of insurance. Under the Old Social Insurance Law, there were two separate funds for civil servants and employees in the private sector. They will now be transferred to the new fund.

Salary portion	Employee share	Employer share
Collective salary with a cap of EGP10,900	11%	18.75%

Category	Who pays the subscription?	New rate
Employees working in the private sector and the public sector	Employers on behalf of each employee	18.75% on total monthly salary (including basic and variable)
	An employee on behalf of himself/herself	11% on total monthly salary (including basic and variable)
Employers and entrepreneurs (including shareholders)	The employer or entrepreneur on behalf of himself/herself	25% from the monthly subscription income that the insured chooses (the maximum is not defined yet)
Egyptian employees working abroad	Each employee on behalf of himself/herself	21% of the monthly subscription income
Employees that fall under non-regular category (e.g., domestic workers)	Each worker on behalf of himself/herself	13% from the minimum limit of the monthly subscription salary

- ▶ Form Number 2 filled out by the employer
- ▶ Employer's bank signature certificate, from the bank where the employer has a certified signature Form No. 1 filled out by the employees
- ▶ Employees' copy of identification card
- ▶ Employees' graduation certificate
- ▶ Employees' birth certificate (copy)
- ▶ Copy of Form 6 (if any)

3. Employment obligations

Employment contracts

Employment contracts are required to be in writing, with three copies maintained in Arabic. The employer, employee and social insurance office each keep one copy of the employment contract, which must include certain information as specified in the Labor Law.

Working hours

As per the Labor Law, employees should not work more than eight hours a day or 48 hours over a six-day working week. It is common practice that private sector employees work five days a week, usually Sunday to Thursday. The number of working hours may be increased to nine hours a day, including a one-hour break.

Annual leave

An employee is entitled to a minimum annual paid leave of 21 days for every full year of service and a proportional amount if the period of service is less than one year (eligible to be used after six months of employment). This annual leave is increased to 30 days after the employee has worked for 10 consecutive years or is over 50 years of age.

Public leave

Every employee is entitled to full pay for official holidays designated by the Ministry of Manpower and Immigration, not to exceed 14 days a year. If employees are required to work during official holidays, they are entitled to overtime (paid at twice their normal rate). The weekly days off and the official holidays shall not be counted as part of the annual leave.

Accidental leave/Emergency leave

Accidental leave is the leave taken by an employee, as a result of unexpected circumstances, in which he or she has no choice except to be absent from work. He or she should inform the employer with the reasons of absence. The Labor Law states that absence from work for accidental reasons should not exceed six days per year with a maximum of two days each time, and this leave will be deducted from the annual leave of the employee.

Ongoing compliance requirement related to pension

Every employer is responsible for withholding the social insurance amount on a monthly basis and remit the withheld amount to the social insurance authority on a monthly basis noting that the due date is 15 days from the month end for each month.

Every employer is responsible for preparing and submitting Form 2 to the social insurance office on a yearly basis declaring all the social insured employees and their data along with the social insurance amount that the employee is insured with.

The employer must submit a fully completed, authority-issued application employment (Form 1 and registration Form 6, and Form 2 to be submitted every January) and the following documents to the competent office to open the company's file:

- ▶ Company's commercial registration
- ▶ Company's tax card
- ▶ Company's articles of incorporation
- ▶ Deed or lease agreement for company premises notarized at the public notary in Egypt

Sick leave

The Labor Law provides that an employee whose sickness has been established by a responsible medical professional is entitled to sick leave of maximum 180 days per year (six months per year), in which they are entitled to receive 75% of their monthly social insurance salary during the first three months of the sick leave and 85% for the following three months. The employer is not entitled to terminate the employee's service due to sickness, unless the employee is absent due to sickness for more than 180 days in a year. The employee is eligible for sick leave for each three employment years, first month with full salary, then eight months with 75% salary paid, then three months unpaid. A committee established under the Labor Law takes the final decision related to the employee's ability to work.

Performing pilgrimage or visiting Jerusalem

The Labor Law states that an employee who has spent five consecutive years in service has the right to full paid leave, for a period not exceeding one month, for performing pilgrimage or visiting Jerusalem, and such leave shall be enjoyed only once during the entire period of service.

Maternity and child care leave

A female having spent 10 months in the service of an employer shall be entitled to a maternity leave of 90 days with full wage payment, including the period before delivery, i.e., if she decides to take her maternity leave before the due date. The female employee is not entitled to this maternity leave more than twice during her working period. The employer is not allowed to oblige the female to work for the following 45 days after birth. During the 24 months following the date of delivery, she has the right to be excused from work for one hour daily to feed her child.

Annual increment

Employees are entitled to a periodical annual increment of not less than 3% of the social insurance salary each year per social insurance thread mentioned above.

Overtime pay

The minimum overtime premiums are 35% of normal pay for overtime worked during daylight, 70% for that worked at night, 100% on weekends and 200% on official holidays.

Bonuses

There is no obligation to pay annual bonuses.

Minimum wages

Effective January 2024, the minimum wage for the private sector is EGP3,500 per month.

Termination of employment during probation period

The probation period should not exceed three months and an employee must not be appointed under probation more

than once. If the employee proves unsuitable for the job during the allotted period, this period allows the employer to cancel the contract during this period.

Dismissal under a fixed term contract

The employer has the right to terminate the employment contract upon its expiry without any indemnity to be paid to the employee. In the event of dismissing the employee within the period of the contract, the employee will be entitled to compensation equal to the equivalent salary of the remaining period of his or her signed contract. To illustrate, if the contract is issued for one year and the employer decides to terminate the contract after eight months, the employer must pay the remaining four months' salary to the employee.

Dismissal under indefinite employment contract

Any of the two parties may terminate the contract at any time if the contract is indefinite, taking into consideration proper notice time and proper working conditions, and stating the reasons for the termination. The employer may not dismiss the worker except for reasons stated in the provisions of Article No. 69 of the Labor Law. An employee is entitled to a 60-day notice period for dismissal if his or her period of service does not exceed 10 years and a 90-day notice period if that period exceeds 10 years (should the employer wish to dismiss the employee without giving him or her the relative notice period, the employee will receive two months' salary for each year of employment, for unjustified dismissal).

Legal terminations

Grounds for legal termination without notice include the expiry of a definite employment contract, retirement, resignation, death or the incapacity of the employee to perform the relevant job on the basis of a report from the concerned governmental committee and authorities. In all cases of employment termination, the company should follow the Egyptian Labor Law and its penal regulations.

Legal obligations

There are other legal obligations to consider, including the legal annual increase and entitlement to profit share. Under the profit share, employees of a joint stock company, limited liability company (LLC) or foreign branch are entitled to a share in the distributable profits. The share is fixed at an amount not less than 10% of distributable profits and not more than the total annual salaries of the employees. However, limited liability companies with capital of less than EGP250,000 are not subject to this distribution of profit share, noting that the LLC should distribute a percentage of the profits determined by the management.

Customary benefits

Customary benefits that can be paid to employees and vary from one company to another include the following:

- ▶ Bonus or performance pay
- ▶ Allowances
- ▶ Profit share
- ▶ Private medical insurance
- ▶ Tuition reimbursement
- ▶ Fellowship fund
- ▶ Stock options

4. Payroll requirements

As per Income Tax Law No. 91/2005, the employer is responsible for calculating and deducting salary tax from his or her employees on a monthly basis and remitting the deducted amount to the tax authority, no later than the 15th day following each month. The employer is required to remit a quarterly salary tax return (Form 4) one month following the end of each quarter, as well as an annual salary reconciliation. Payroll cost charged or recharged to an Egyptian entity should be subject to salary tax in Egypt.

Regarding pay slips, the company has to provide a pay slip for the employee including the details for the provided monthly salary, benefits and monthly deduction.

5. Banking requirements related to payroll

As per Income Tax Law No. 91/2005, salary tax payments are made to Egyptian tax authority bank accounts. Salary tax should be paid by a bank transfer from one of the local banks that deals with the Egyptian tax authorities and there is no foreign exchange control.

There is no mandated method for payment of salary or wages of employees. The employer may pay its employees via check, cash or electronic funds transfer.



1. Government requirements

Registration requirements

Social security

Any person who performs a job or professional service of any nature for another person (whether legal, public, private or mixed), irrespective of the type of relationship linking them, the economic nature of the activity or the form of payment or compensation provided, is subject to the mandatory social security scheme.

The companies must be registered at the Salvadoran Social Security Institute (ISSS) as well as the Tax Authorities: Ministerio de Hacienda "Dirección General de Impuestos Internos", and the Pension Fund Administrator Company.

Salvadoran Social Security Institute (ISSS)

The employer must register within five days from the date the first worker is hired, as stated in Article 7 of the Regulations for the Application of the ISSS Regime.

For the registration of employers, the documentation must be filed both in original and a legible hard copy. If the original documents are not filed, the hard copies must be authenticated by a notary public.

General requirements:

- a. Complete the Employer Registration Notice Form from numbers 2 to 12, and the Signature Registration Form.
- b. If the employer has a stamp, it must be placed on the Signature Registration Form and Registration Notice.
- c. Employer Identity Document of the individual (as an employer) or the legal representative or empowered person if the employer is a legal entity. The document may be the Unique Identification Number or "Documento Único de Identidad" (DUI) if the employer's nationality is Salvadoran, or the Resident Card or passport for foreigners.
- d. Tax Identification Number or "Número de Identificación Tributaria" (NIT) of the employer (legal representative, empowered person or individual), sketch of location and payroll of employees, with which operations initiate.

The employer must also pay the corresponding social contributions as an Independent Worker, except for those independent employers who are pensioners, who must be included in the payroll without salary and mark code 3 in the observation box.

Note: For employer registration, it is necessary that at least one employee is working.

Tax Administration

Every individual or legal entity is obliged to register in the Unique Tax Registry when starting any lucrative activity or business (sale of goods or provision of services), subject to a tax under the administration of the Tax Authorities or "Ministerio de Hacienda".

General requirements:

- a. Complete Company Form
- b. Testimony of incorporation deed
- c. Proof of payment of branch or agency

EY contacts

Antonio Ruiz

T: +506 2208 9800

E: antonio.ruiz@cr.ey.com

Jose Pablo Artavia

T: +506 2208 9891

E: pablo.artavia@cr.ey.com

Yazmín Duarte

T: +506 2208 9800

E: yazmin.duarte.zeledon@cr.ey.com

Evelin Leal

T: +502 2461 3000

E: evelin.leal@gt.ey.com

- d. Proof of tuition payment
- e. Proof of payment of Tax Identification Number card or "NIT"
- f. Initial balance
- g. Signature Registry
- h. Unique Identification Document (DUI) of the legal representative for Salvadorans or passport (or resident's card) for foreigners
- i. Receipt of electric power

Ongoing compliance requirements

Regarding El Salvador's monthly social security contributions to the ISSS, if the contribution sheets are submitted after the fifth business day of the month following the month to which they refer, the company will incur a fine of 25% of the amount of contributions.

If contributions are not paid by the indicated date, employers will be sanctioned with a fine which may not be less than USD1.14 nor more than USD57.14. (Art. 49 of the Regulations for the Application of the Social Security Regime)

Monthly filing of the income tax withholdings and corresponding payment is to be made within the first 10 business days of each add period after month

Annual filing of the income tax withholdings is done using form F-910.

The pension funds contribution (e.g., AFP Confía and AFP Crecer) must be paid within the first 10 business days of each month.

2. Pension requirements

For Pension Fund Administrator Company

AFP CONFÍA:

Employer registration

- a. Application for registration as an employer (original) signed and stamped by the legal representative
- b. Unique Identification Document (DUI) of the legal representative (simple copy) for Salvadorans, or passport (or resident's card) for foreigners (simple copy).
- c. Legal representative's Tax Identification Number card or "NIT" (simple copy)
- d. Social Security or "ISSS" employer card (simple copy)

User registration

- a. SPU user application form (original) stamped and signed by legal representative
- b. Tax Identification number card or "NIT" of the payroll administrator (simple copy)

- c. Tax Identification number card or "NIT" of the payroll manager (simple copy)
- d. Unique Identity Document (DUI) of the payroll manager (simple copy) for Salvadorans; for foreigners passport (or resident's card).

Pension Funds Law, Article 19-paragraph 5 °

AFP CRECER

- a. Application for registration as an employer (original) signed and stamped by the legal representative
- b. Company Tax Identification Number card or "NIT" (single copy)
- c. Unique Identification Document (DUI) of the legal representative (simple copy) for Salvadorans, or passport (or resident's card) for foreigners (simple copy).
- d. Legal representative's Tax Identification Number card or "NIT" (simple copy)
- e. Company VAT Registration number card (simple copy)
- f. Social Security or "ISSS" employer card (simple copy)

Law of the Pension Savings System Article 19

Ongoing compliance requirements

The Pension Funds contribution (e.g., AFP Confía and AFP Crecer) must be paid within the first 10 business days of each month.

3. Employment obligations

General employer obligations

Employer contribution	Percentage	Maximum cap to rate \$
ISSS	7.50%	1,000.00
AFP	8.75%	N/A
INSAFORP*	1.00%	1,000.00
Christmas bonus accrual	8.33%	N/A
Vacation accrual (Base salary + 30% vacation bonus)	5.42%	N/A
Severance	8.33%	N/A

* Only applicable to companies with 10 or more employees.

* For personal documentation purposes, the government has homologated the DUI - NIT, thus the usual document will be the DUI.

The Christmas bonus is a constitutional right of public and private sector workers.

It is required to pay in full when the worker has worked for a year or more. However, the Ministry of Labor and Social Security (MTPS) also states, "If, on 12 December, the worker does not have a year of working with the same employer, he is entitled to receive the portion proportional to the time worked that would have corresponded to him if he had completed one year of service on the date indicated".

The bonus is calculated on the basis of Article 198 of the Labor Code. It is important to mention that this article was modified through Legislative Decree 399, published in the Official Gazette 125 Book 400 of 9 July 2013, leaving the calculation table as follows:

- ▶ From one year to less than three years of service, the bonus is calculated as the equivalent of 15 days' salary.
- ▶ From three years to less than 10 years of service, the bonus is calculated as the equivalent of 19 days' salary.
- ▶ For 10 or more years of service, the bonus is calculated as the equivalent of 21 days' salary

The annual vacation pay is 15 salary days plus 30% of the 15-day salary, and it must be paid to the worker before the start of the leave. To qualify for annual leave, a worker must have worked for at least 200 days in a year.

4. Payroll requirements

Statutory payroll requirements

Employees must receive either weekly, monthly or bi-weekly payments.

Monthly filing of the income tax withholdings and corresponding payment is to be made within the first 10 business days of each month.

Monthly social security reports: The filing is to be made within the first five working days and the payment is made including the last working day of each month. If the contribution sheets are submitted after the fifth business day of the following month to which they refer, a penalty of 25% of the amount of contributions may be imposed to the employer. If contributions are not paid by the indicated date, employers will be sanctioned with a surcharge of 5% for late payment of up to 15 days, or 10% for late payment of more than 15 days. The percentages are calculated on the amount of the monthly contributions owed, and Article 49 of the Regulations for the Application of the Social Security Regime applies.

The pension funds contribution (e.g., AFP Confía and AFP Crecer) must be paid within the first 10 business days of each month.

5. Banking requirements related to payroll

This information is not available.



EY contacts

Ranno Tingas
T: +372 611 4578
E: ranno.tingas@ee.ey.com

Marin Stroo
T: +372 51 473 43
E: marin.stroo@ee.ey.com

Kaia Tuvike
T: +372 50 28 439
E: kaia.tuvike@ee.ey.com

1. Government requirements

Registration requirements

Establishing a company

The legal environment for business entities in Estonia is mostly regulated by the Commercial Code.

All Estonian companies are required to be entered into the Estonian Commercial Register. A permanent establishment should be registered in the registry of the Estonian Tax and Customs Board. If a foreign company wishes to offer goods or services in Estonia permanently in its own name, it can establish a branch. The branch will be registered in the Estonian Commercial Register upon submission of an application together with the required documentation. It should be noted that a branch is not a legal person and the foreign enterprise will be liable for obligations arising from the activities of the branch.

Registration of employment

All natural and legal persons acting as employers in Estonia are required to be registered in the employment register by the Estonian Tax and Customs Board. The requirement applies also to all employees, individual contractors, managers, management and supervisory board members and trainees as well as volunteers who are entitled to remuneration. Registration must have taken place by the time an employee commences work.

As a rule, foreigners who are residing in Estonia on the basis of a residence permit are permitted to work in Estonia. Employment in Estonia is also permitted to foreigners who are staying legally in Estonia on the basis of a visa or on the basis of a visa-free stay, and whose employment has been registered with the Police and Border Guard Board prior to the commencement of work (short-term employment registration).

Registration as taxpayer

Taxpayers based in Estonia and registered in the Estonian Commercial Register (subsidiaries, branches, etc.) will be recorded automatically in the taxpayers' register maintained by the Estonian Tax and Customs Board.

Foreign companies can only register with the Tax and Customs Board in certain circumstances, e.g., acting as a foreign employer, having a permanent establishment and being a VAT-liable entity.

Ongoing compliance requirements

Monthly payroll tax return (TSD)

The period of taxation is a calendar month. The combined corporate income tax and payroll tax return, Form TSD (Declaration of income and social tax, unemployment insurance premiums and contributions to mandatory funded pension) with appendices, must be submitted to the tax authorities, and taxes must be remitted by the 10th day of the month following a taxable distribution or payment.

Social security contributions calculated from the gross employment income are payable by the employer.

Employees are not liable for personal social security contributions. Employee's unemployment insurance contributions, compulsory accumulative pension

contributions and income tax are withheld from the gross income by the employer.

Payroll taxes

Social tax

The social tax rate is 33% of the employee's gross earnings. There is usually a minimum obligation for the social tax to be paid EUR239.25 monthly in 2024, even if no salary payments were made to the employee.

Unemployment insurance premiums

According to the Estonian unemployment insurance legislation, the unemployment insurance contributions must be paid by both the employer and the employee. The unemployment insurance premium is 1.6% of the gross salary of an employee and the unemployment insurance premium paid by employers is 0.8% of the amount of gross salary.

Unemployment insurance contributions do not apply to the remuneration paid to members of management boards, members of supervisory boards and procurators.

Funded pension payment

From 2012, the rate of the funded pension payment is 2% of the gross salary of a resident employee, who has joined the funded pension system.

Income tax

Personal income earned by employees is subject to income tax and the employer must withhold and pay income tax on gross wages earned, extra payments, bonus pay, holiday pay and other payments that are regarded as wages. The income tax rate is 20% and will be increased to 22% in 2025.

The tax-free minimum of which no deduction of income tax takes place in 2023 is up to EUR654 in a month but decreasing depending on the total income amount.

The tax-free minimum in 2024:

- ▶ If annual income amount is up to EUR14,400, the annual tax-free minimum is EUR7,848
- ▶ In case annual income amount is between EUR14,400 and EUR25,200, the annual tax-free minimum amount decreases according to the following formula: $7,848 - 7,848 \div 10,800 \times (\text{annual income amount} - 14,400)$
- ▶ If annual income amount is above EUR25,200, the annual tax-free minimum is zero EUR.

If an employee has filed an application to the employer concerning the implementation of tax-free income, the employer can deduct the amount of tax-free income permitted per month (i.e., tax-free minimum) when calculating the amount of income tax to be withheld. From

2025, the annual tax free minimum will be EUR8,400, regardless the amount of income earned.

2. Pension requirements

Registration requirements

To apply for the state pension, an application and the additional required documents have to be submitted to the local pension office.

Ongoing compliance requirements

The Estonian pension system is divided into three pillars:

- ▶ First pillar – state pensions: State pension is paid for old age, for incapacity for work or loss of provider, to permanent residents of Estonia and foreigners residing in Estonia on the basis of a temporary residence permit or right of residence. The state pension is additionally divided into two: an old age pension depending on work contributions and a national pension. State pensions are paid out on the basis of the social tax calculated on salaries.
- ▶ Second pillar – funded pension: Funded pensions are mandatory for persons who were born in 1983 and later. It is a compulsory accumulative pension scheme to which resident employees make contributions at 2% of their gross salary and the state adds 4% of the 33% social tax calculated on the employee's salary. As of 1 January 2021 contributions to the second pillar of funded pension can be suspended by submitting an application for exemption from contributions.
- ▶ Third pillar – supplementary funded pensions: A supplementary funded pension can be subscribed to by concluding a pension insurance contract with a life insurance company or by making contributions to the voluntary pension fund.

Employers make contributions (through the national social tax) to the first pillar. Employees make mandatory payments into the second pillar (subject to withholding by the employer) and are free to choose whether or not to contribute to the third pillar by concluding a pension insurance contract with a life insurance company, or making contributions to the voluntary pension fund on a contractual basis with the pension product service provider. The employer can make contributions to the voluntary private pension system on behalf of the employee, exempt from income tax. The tax-exempt limit is 15% of the employee's taxable income, not exceeding EUR6,000 per year, and it applies collectively to the contributions made by the employee and the employer.

3. Employment obligations

Labor relations

Employment and labor issues are regulated by the Employment Contracts Act.

Work relations are also regulated with the Law of Obligations Act, the Individual Labour Dispute Resolution Act, the Occupational Health and Safety Act and other appropriate legal acts.

The employer's obligation is to calculate and withhold all payroll taxes.

Holiday

According to Section 55 of the Employment Contracts Act, an employee's annual paid leave is 28 calendar days, unless the employee and the employer have agreed on a longer annual leave or unless otherwise provided by law.

Rest hours

According to Section 51 of the Employment Contracts Act, an agreement by which an employee is left, over a period of 24 hours, with less than 11 hours of consecutive rest time is void, unless otherwise provided by law.

An employer shall give an employee who works more than 13 hours over a period of 24 hours additional time off, immediately after the end of the working day, equal to the number of hours by which the 13 working hours were exceeded. An agreement by which work exceeding 13 hours is compensated for in money is void. In general, total working time may not exceed an average of 48 hours per week over a four-month period.

Certain limits must be observed when working with minors or overtime.

The restriction shall not be applied to health care professionals, welfare workers, agricultural workers and tourism workers, provided working does not harm their health and safety. Drivers' working, driving, break and rest time is regulated in detail with local and EU legislation.

Termination of employment

Bases for the termination of an employment contract are provided in the Employment Contracts Act (Section 85–94). An employer may not cancel an employment contract ordinarily, but it may be terminated upon agreement between the parties at any time (Section 79 of the Employment Contracts Act).

The extraordinary termination of the employment contract by the employer is allowed for economic reasons (decrease in work volume, reorganization of work or other cessation of work) or for reasons related to the employee (inability to perform their duties, breach of their obligations, etc.).

Minimum wage

According to Section 43 of the Employment Contracts Act, it is presumed that an employee works 40 hours over

a period of seven days (full-time work). In practice, it is presumed that an employee works eight hours a day, unless parties have agreed or it is regulated otherwise by law.

According to Section 29 of the Employment Contracts Act, minimum wages are established by a regulation of the Government of the Republic of Estonia. Wages falling below the minimum wage established by the Government may not be paid to an employee.

The minimum wages in 2024 are EUR4.86 per hour and EUR820 per month. Minimum wage requirements can be higher with collective agreements.

4. Payroll requirements

According to Section 33 of the Employment Contracts Act, an employer shall pay wages to an employee once a month, unless a shorter term has been agreed for payment of remuneration. If the pay day falls on a public holiday or a day off, it shall be deemed that the pay day is the working day preceding the public holiday or day off. The part payable of an employer's economic results (bonus) shall be paid to an employee after determining the part, but not later than six months after approval of the annual report of the employer. An employer shall transfer an employee's wages and other remuneration to the bank account indicated by the employee, unless agreed otherwise.

Pay slips

On the employee's request, the employer is obliged to provide the employee with information about the wages calculated and paid or payable to them, and provide other notices regarding the employee or the employment relationship. The common practice is that pay slips are sent to employees monthly.

5. Banking requirements related to payroll

As mentioned above, an employer shall pay wages to an employee once a month (with the exception of remuneration related to economic results), unless a shorter term has been agreed. An employer shall transfer an employee's wages and other remuneration to the bank account indicated by the employee, unless agreed otherwise.

Payroll payments can be made by either, or a combination of:

- ▶ Cash
- ▶ Electronic funds transfer (bank transfer)

The common practice is that payroll payments are made via bank transfer.



1. Government requirements

Registration requirements

All new enterprises, including foreign companies starting a business in Finland, must submit a start-up notification to get a company ID. In addition, when a business enters Finland, the business must register in the applicable registers with the Finnish tax authorities (e.g., the employer register, prepayment register, VAT register) and in the Trade Register when applicable. The Trade Register is a public register containing information about businesses and companies in Finland. The registration requirements vary in each situation and need to be checked in each case specifically.

Unemployment insurance

Both employers and employees are obliged to pay unemployment insurance contributions. The employer is obliged to pay the unemployment insurance to the Employment Fund. The liability to pay unemployment insurance contribution mainly applies to employees aged 18 to 65. Employment fund charge is based on the salary information filed to the Incomes Register thus separate register is not needed.

Accident insurance

The employer must always take statutory accident insurance against the risk of accidents involving their employees prior to the work commencing.

Employers can freely choose the accident insurance company from which to take the statutory coverage. Statutory accident insurance is government-controlled even if provided by private insurance companies.

Group life insurance

Group life insurance is taken together with accident insurance from the same private insurance company. The requirement to take this insurance is typically based on the collective labor union agreements. The insurance works similarly to the accident insurance.

Ongoing compliance requirements

Unemployment insurance

The contribution rates are stated by the government annually. The amount of unemployment insurance contributions is determined on the basis of the wages paid to employees. The employer must always withhold the employee's unemployment insurance contribution from the wage upon each payment of salary. The employer is responsible for payment of both the employer's and employee's unemployment insurance contributions, as well as responsible for delivering the earnings payment report of paid salaries to the Incomes Register within five calendar days after the pay date. The Employment Fund will see the reported information from the Incomes Register and based on that will deliver the invoices quarterly (in January, April, July and October) to the employer.

EY contacts

Minna Laine

T: +358 20 7280190

E: minna.laine@fi.ey.com

Minna Mäkinen

T: +358 20 7280190

E: minna.makinen@fi.ey.com

Accident insurance and group life insurance

The contribution rates are stated by the government annually. The amount of accident insurance and group life insurance contributions is determined on the basis of the wages paid to employees. The employer is responsible for making the insurance payments on the basis of invoices delivered by the insurance company, as well as responsible for delivering the earnings payment report of paid salaries to the Incomes Register within five calendar days after the pay date. The insurance company will see the reported information from the Incomes Register and based on that will deliver the invoices to the employer. The invoicing frequency may differ depending on the insurance company and agreement.

Employer's health insurance contribution

If a permanent establishment exists in Finland, the employer is obligated to pay the employer's health insurance contribution to the tax authorities. The contribution rate is stated by the authorities annually. The amount of contribution is determined based on the wages paid to employees and reported by the employer's separate report to the Incomes Register on the fifth and paid by the 12th day of the month following the payment month by the employer's own initiative.

2. Pension requirements

Registration requirements

Earnings-related pensions are guaranteed by law, so every employer paying salaries to employees under Finnish pension insurance is obliged to take earnings-related pension insurance to cover their employees. Earnings-related pensions are managed by private employment pension insurance companies. Employers can freely choose the employment pension company from which to take the statutory cover. Pension provision is not, however, affected by the company with which the employee is covered, since the pension benefits are prescribed by law and do not differ between the various authorized pension companies. An employee's pension accrues from annual earnings that are increased with the wage, coefficient to the level of the retirement year and from which the employee's pension contribution is deducted.

Ongoing compliance requirements

The contribution rates are stated by the government annually. The amount of pension insurance contributions is determined based on the wages paid to employees. The employer must always withhold the employee's pension

insurance contribution from the wage upon each payment of salary. The employer is responsible for payment of both the employer's and employees' insurance contributions, as well as responsible for delivering the earnings payment report of paid salaries to the Incomes Register within five calendar days after the pay date. The pension insurance company will see the reported information from the Incomes Register and based on that will deliver the invoices on monthly basis to the employer.

3. Employment obligations

Incomes register

The Incomes Register is a national online database of incomes information.

The employer must file the earnings payment report of paid salaries to the incomes register latest on the fifth calendar day following the payment date.

In addition, an employer's separate report needs to be sent to the Incomes Register on the fifth day of the month following the payment month, when applicable. The employer's separate report contains information of the employer's health insurance contribution or notification if no wages payable.

The employer and employees can have access to the Incomes Register. Authorities and instances (e.g., Tax authorities, the Employment Fund, pension and accident insurance companies) receive the salary information from the Incomes Register. Data is stored in the Incomes Register for 10 years from the beginning of the year following the year in which the data was saved.

Labor laws and union agreements

The employer has to follow Finnish labor laws and other rules and guidance. There are also different types of collective labor union agreements with detailed rules in Finland. The collective agreement is an agreement regulating conditions to be observed in employment contracts or otherwise in employment relations, concluded by one or more employers or employers' associations on one side, and one or more trade unions on the other side.

4. Payroll requirements

Salaries are paid into employees' bank accounts. The salary is paid on the last day of the pay period, unless otherwise agreed. If the salary is based on a period of less than two weeks, wages must be paid at least twice a month, otherwise once a month.

Pay slips

The employer must deliver pay slips to employees. Pay slips can be free-form. However, there are certain requirements regarding what information needs to be shown in the pay slip.

5. Banking requirements related to payroll

The net salary payments are made by the employer to the employee's bank account.

If payments are done in a foreign currency, they have to be reported to the Incomes Register in Euros by using the exchange rate set by the European Central Bank.

France

F



1. Government requirements

Registration requirements

Social security registration

Every French employer is required to have a social security registration. The institution in France responsible for this registration is called the Organizations for the Collection of Social Security and Family Benefit Contributions (URSSAF). There are multiple URSSAF centers in the country. Employers need to register with the organization based on their permanent establishment address. Employers without a permanent establishment in France will be assigned to a specific URSSAF center, wherever their employee's workplace is located in the country. To register and be recorded as a tax collector, employers need to open an account via the dedicated section on the tax administration's website and fulfil the required process.

Tax registration

As of January 2019, French employers are required to withhold income tax from their employees who are French taxpayers.

Moreover, each employer needs to make itself known to the French tax administration.

In practice, when a permanent establishment exists, this is the same local tax administration where the employer fulfils its corporate obligations (e.g., value added tax and corporate income tax).

To register and be recorded as tax collector, the employer needs to open an account via the dedicated section of the tax administration's website and fulfil the required steps. The registration needs to be done before the hiring date of the first employee.

Ongoing compliance requirements

Every month, French employers declare all related wages and withholdings to each organization through a unique and concentrated declaration called "déclaration sociale nominative" (DSN).

Excluding a clearly specified exception, all payroll declarations are made via this channel.

DSN is issued monthly, even if it is nil, and the payments are generated on a monthly or quarterly basis depending on the employer's head count.

It is strictly regulated, and the related clarifications, specifications and explanations are available on [dsn-info.fr](https://www.dsn-info.fr).*

2. Pension requirements

Registration requirements

The pension rights in France are held by two regimes:

- ▶ The basic right is held by URSSAF (the organization that covers the social security). No additional administrative requirements are requested for this registration. Once the social security registration is performed, the basic pension rights are registered.

EY contact

Wendy Guyot Gross
T: +33 6 98 59 59 87
E: wendy.gross@fr.ey.com

- ▶ The complementary right is a compulsory fund, despite its name. It is a pension fund in which a single employer needs to register depending on its activity and location. Each pension fund has its own registration procedure.

Ongoing compliance requirements

The process is the same as the ongoing compliance requirements indicated under section 1 - Tax registration.

3. Employment obligations

Coverages, health and medicine at work

Employees are entitled to several coverages as per the French Labor Law. They are detailed below:

- ▶ Life coverage - Depending on the collective bargaining agreement (CBA) or the status of the employees, life coverage may be required. The legal or CBA disposition that makes this coverage compulsory describes the modalities of setting it up. It is usually up to the employer to choose the life insurance organization that fulfils the best possible legal or CBA dispositions.
- ▶ Health - Since 2016, the health coverage is compulsory for all employees. It does not depend on the activity of the employer.
- ▶ Medicine at work - The French Labour Law makes it compulsory for all French employers to ensure that there are no medical restrictions on their employees taking

the position they are offered through an employment contract. The registration methodology is not regulated. It depends on each organization.

Employment contract

Any employment contract that does not follow at least one of the dispositions required by the French Labor Law needs to be written as some of them are legally required. These include the following:

- ▶ The French common employment contract is full-time and open-term.
- ▶ The labor law provides for a minimum wage, which is revised at least once a year.
- ▶ The legal duration of work in France is 35 hours a week.

Employees rights

French employees have a certain number of rights. The CBA or company agreement may grant more advantageous rights. Following are some of the main ones that are legal dispositions:

- ▶ Annual leave – Annual leaves are granted for five weeks.
- ▶ Sick leave – Depending on an employee's seniority, salary may be partially maintained by the employer.
- ▶ Accident at work – Leaves can be provided in the event of an accident at work.
- ▶ Personal life authorized absences – Leaves can be granted for personal reasons as authorized absences.



4. Payroll requirements

Except CBA dispositions that are applicable to some nominative professions, French employees are paid once a month. Payslips need to be sorted out at the time of each salary payment. They are delivered to French employees on an “opposable” way. It is recommended to set up a secured e-pay slip system, which is strictly regulated by the French Labor Law.

Social declarations are performed and sent to the French Administrations once a month. Related contributions payments are sent to them on a monthly or a quarterly basis, depending on the employee head count. In some cases, such as hiring, sickness or leavers, instant declarations are required.

The complexity of the French Labour Law makes it common to require specialist assistance to handle the payroll, while there is no specific legal requirement to do so.

5. Banking requirements related to payroll

For better control, it is recommended to perform salary payments in EUR under banking transfers. Depending on the level of the social contributions amounts, French payroll rules make it compulsory to process a bank transfer payment. In both the cases, there is no specific constraint on the location of the employer’s bank.

Since the application of the income tax withholding in France as of 1 January 2019, the withheld amounts need to be refunded to the French tax administration through direct debit and this is strictly regulated.

Georgia

G



1. Government requirements

Registration requirements

Registry of Entrepreneurs and Non-Entrepreneurial (Non-commercial) Legal Persons

Company registration in Georgia entails tax and state registration. State registration is carried out by the National Agency of Public Registry (NAPR), which is a legal entity under public law under the Ministry of Justice of Georgia.

Registration documents to be submitted to the NAPR include, among others, a duly certified instrument of incorporation and charter signed by all shareholders of the company, director's consent, and applicant's identity document. The fee for registration within 1 business day is GEL200 and on the same day, GEL400.

Either way, legal registration and tax registration are carried out simultaneously, hence no additional actions are required to complete the tax registration of the company.

Revenue Service (RS)

Pursuant to Georgian tax legislation, individuals starting economic activities are required to register with the Georgian Tax Authority (GTA) LELP Revenue Service of Georgia and obtain a Tax ID prior to their start-up. Foreign citizen non-entrepreneur individuals have to register with the GTA and obtain a Tax ID prior to filing their annual Personal Income Tax (PIT) returns. Furthermore, without the NAPR's assistance, the RS department is authorized to allow the registration process of taxpayers. These requirements apply to the following persons:

- ▶ Georgian citizens
- ▶ Foreign citizens
- ▶ Legal entities of public law (LEPL)
- ▶ Budgetary organizations
- ▶ Foreign entities or organizations or their Permanent Establishment (PE)

Ongoing compliance requirements

Personal Income Tax (PIT)

According to the Tax Code of Georgia (TCG), irrespective of residency status, a physical person receiving Georgian sourced income is subject to PIT at a rate of 20%.

Individuals who are tax residents in Georgia are generally liable to pay PIT on their worldwide income, though a tax code provides exemption for the foreign sourced income. In the case of tax nonresidents, PIT is payable only on their Georgian sourced income, subject to double taxation treaty relief (if any).

Thus, both tax residents and nonresidents of Georgia pay PIT only on their Georgian source income.

Article 104 provides the list of income that is considered as sourced in Georgia. The list, among other things, includes:

- ▶ Income received from employment performed in Georgia
- ▶ Income or benefit earned from the supply of goods in the territory of Georgia
- ▶ Income earned from the delivery of services in Georgia
- ▶ Income earned from leasing movable property used in Georgia or from transferring any other contractual right of use

EY contacts

Tato Chantladze

T: +995 32 215 88 11

E: tato.chantladze@ge.ey.com

Tina Kachakhidze

T: + 995 32 215 88 11

E: tina.kachakhidze@ge.ey.com

- ▶ Interest and dividend income received from a Georgian resident
- ▶ Income received from the sale of shares in a Georgian resident entity
- ▶ Other income earned from carrying on activities in Georgia

Pursuant to TCG, employers that are residents of Georgia are obliged to withhold PIT at the source of salary payment and administer the payment of tax into the budget upon the payment of salaries.

If the employer is a nonresident entity, it should not be liable to withhold PIT and pay this into the budget if the employee personally files a PIT declaration and pays the respective taxes. Withholding tax returns are filed by 15th of the month, following the reporting period in which the payment was made. Together with the withholding tax return, information about payments made to nonresidents and taxes withheld should be submitted to the GTA within the same deadline.

2. Pension requirements

Registration requirements

Upon reaching the general retirement age of 65 (60 for women), employees are entitled to apply for state pension. According to Georgian legislation, the amount of pension payment is determined and funded by the State Budget of the respective year.

Applicants seeking a state pension must submit an application with all the necessary documents to any regional office of the Social Service Agency of Georgia. The list of these documents, as well as the procedure and conditions for awarding the pension are determined by Order No. 46/n of the Minister of Health, Labor and Social Affairs.

The application is free of charge.

Based on the pension contribution reform enacted on 1 January 2019, individuals employed in Georgia are involved in the pension savings program. According to the Law of Georgia on Funded Pensions, persons under 40 were mandatorily enrolled, whereas persons over 40 had the right to refuse participation in the pension savings program within five months after mandatory enrollment. Pension contribution rules apply to company employees, as well as independent contractors and self-employed individuals.

The Law of Georgia on Funded Pensions applies only to citizens of Georgia and aliens and stateless persons

permanently residing in Georgia, except for nonresident natural persons.

Ongoing compliance requirements

According to the Law of Georgia on Funded Pensions, the employer is liable to withhold 2% of the gross salary of the employee and pay to his or her personal retirement account on his or her behalf. Moreover, the employer is liable to pay its own portion of pension contribution which is also 2% of the gross salary to the aforementioned account of the employee (Notably, such contribution is not qualified as salary income for the employee and is not subject to PIT.). In addition, up to 2% of the gross salary will be transferred to the retirement account of the employee from the state budget. In particular, 2% of the gross salary is transferred if an employee's annual salary does not exceed GEL24,000, 1% is transferred if the annual salary is from GEL24,000 to GEL60,000.

The State does not make a pension contribution if the amount of the annual taxable salary of an employed person exceeds GEL60,000.

LEPL Pension Agency is responsible for the implementation and administration of the pension scheme. Respective Pension Returns are filed by employers via the electronic system for managing pension contributions which is administered by the Agency.

The base from which the amount of pension contribution is calculated shall be any salary income including cash and non-cash benefits, such as insurance, housing allowance, etc. Pension savings shall not be subject to taxation at the moment of contribution or withdrawal, except for full withdrawal of savings by persons permanently leaving Georgia.

All of the abovementioned rules regarding pension contributions apply not only to company employees, but to independent contractors as well.

According to the Tax Code of Georgia, state pensions are exempted from PIT. Thus, no tax liability occurs in this regard. However, in cases when an employer pays into a private pension fund for the benefit of an employee, the contributed premiums are considered as a salary income and are subject to PIT at the source of payment at a rate of 20%. The Tax Code of Georgia, under Article 154, requires that tax shall be withheld at the source by the person paying salary to the employee. In addition, withholding liability is not triggered when the pension is paid to the employee, since it was taxed at the source of payment at the point of transfer to the private pension funds.

3. Employment obligations

Duration of work

Pursuant to the Labor Code of Georgia, the working time is 40 hours per week. However, in companies with specific working regimes where the work requires more than eight hours of continuous work (per day), working hours should not exceed 48 hours a week. It should be noted that the abovementioned duration does not include break times. If the working time during the working day is more than six hours, the duration of the break time should be at least 60 minutes. The duration of uninterrupted rest between working days (or shifts) shall not be less than 12 hours.

Leave days

The employee is authorized to take paid leave of at least 24 business days and at least 15 days of unpaid leave per annum. An employee working under arduous, harmful, or hazardous labor conditions shall be granted additional paid leave of 10 calendar days annually. An employee shall, upon her request, be granted paid maternity leave of up to 126 calendar days, and in the case of complications during childbirth or the birth of twins, maternity leave of up to 143 calendar days. An employee shall, upon his or her request, be granted parental leave of up to 604 calendar days, and in the case of complications during childbirth or the birth of twins, a parental leave of up to 587 calendar days. Fifty-seven calendar days of the leave shall be paid.

Facilitating professional development

Employers shall facilitate the upgrading of the qualifications of employees. After the end of a period of maternity leave, parental leave, or new-born adoption leave, upon the request of the employee, the employer shall ensure that the qualifications of the employee are upgraded if this is necessary for the performance of the work under the employment agreement, and does not impose a disproportionate burden on the employer.

Safe and healthy working environment

Employers shall provide employees with a work environment that is as safe and healthy as possible in respect of the life and health of the employees. Employees may refuse to perform work, an assignment, or an instruction, that contravenes law or, due to the lack of occupational safety standards, obviously and substantially jeopardizes their or a third person's life and health, property, or the safety of the natural environment.

Labour Inspection Service

LELP Labour Inspection Service has the power to ensure the effective application of the Law. The Labour Inspection has power to impose administrative sanctions for the violation of labor norms from GEL200 up to GEL1,000. Committing the same violation repeatedly or committing severe violations result in doubling or tripling sanctions.

4. Payroll requirements

According to Georgian Labor Law, remuneration must be paid at least once a month. If there is a delay, employers are obliged to pay their employees 0.07% of the delayed sum for each day of any delayed compensation or payment. Unless otherwise determined by an employment agreement, an employee shall be fully remunerated during an idle time caused through the fault of an employer.

Overtime work shall be paid for at an increased hourly rate of remuneration. The amount of the said payment shall be determined by agreement between the parties.

Deductions

Furthermore, according to the Labor Law, employers are authorized to deduct from the employee's remuneration overpayments or any other funds payable by the employee to the employer. The said deduction shall not exceed 50% of the remuneration.

No additional specific requirements are defined by the Labor Code of Georgia.

5. Banking requirements related to payroll

There are no specific requirements regarding the mode of payment except the currency rule. All payments within the territory of Georgia must be made only in GEL. Payroll payments can be made in cash or by bank transfer. Generally, taxes can be paid from both local and foreign bank accounts into the Georgian State Budget. However, when making payments from a foreign bank account, additional follow-up may be required to ensure the paid tax amount is reflected on the taxpayer's card. Therefore, for ease of payment, it is preferable to pay taxes from a local bank account into the Georgian State Budget.



1. Government requirements

Registration requirements

Registration for wage tax

- ▶ A wage tax number must be applied for.
- ▶ The responsible authority for applications is the tax office (“Betriebsstättenfinanzamt” in German) where the company is located. Even if there are several offices and stores, there should be one office where the main decisions about salaries, bonuses, etc., are made and calculated. This office is to be registered as the main business establishment for wage tax purposes.
- ▶ The authority will send a questionnaire for the setup of the company data and will issue a tax number after approximately three to four weeks on the basis of the data provided, this can be prepared or supported by a tax consultancy on behalf of the client. However, the questionnaire must be signed by an authorized person of the company.

Registration as an employer for social security insurance

- ▶ A company number must be applied for from the Federal Employment Office, this can be done by the tax consultancy on behalf of the client.
- ▶ The company number is available immediately after finalization of the application process.
- ▶ This number identifies the company in relation to authorities and social security institutes.
- ▶ The social security covers mainly the pension-, unemployment-, health- and nursing insurance as well as the statutory accident insurance and also the severely disabled levy.

Registration as an employer for statutory accident insurance

- ▶ An employer accident insurance number must be applied for at the responsible accident insurance authority, along with a classification of the relevant risk tariff.
- ▶ The application questionnaire can be filled online, this can be prepared or supported by a tax consultancy on behalf of the client, however, the questionnaire must be signed by an authorized person of the company.
- ▶ Since 1st January 2023 a company number has been introduced (previously a membership number was used), for the transmittance of the digital salary reports to the accident insurance.
- ▶ The statutory accident insurance is based on the Social Security Law (“SGB”) with the purpose of protecting employees against accidents at work and on the way to and from work as well as occupational diseases.

Ongoing compliance requirements

Filing and payment obligations

Payroll filing obligations are mentioned in the table included in this chapter.

Tax calculation

Wage tax calculation is based on the German income tax law (“EStG - Einkommenssteuergesetz” in German) together with wage tax regulations (“LStR - Lohnsteuerrichtlinien” in German).

The tax year is the same as the calendar year.

EY contact

Ramona Schröder
T: +49 89 14331 17965
E: ramona.schroeder@de.ey.com

There is no linear but a progressive and proportional taxation in Germany. This means that with every Euro the employee earns more, the income tax percentage is increasing – taxation is increasing smoothly in the lower area of income, and is increasing even more in the higher area of income. The marginal tax rate starts at 14% on earnings currently higher than EUR10,908 per annum and ends at the top income tax rate of 45% with a solidarity surcharge of 5.5% (which is equal to an effective 47.48%) on earnings higher than EUR277,826 per annum. From 2021, the solidarity surcharge is no longer valid for middle and lower incomes so that up to an annual wage tax amount of EUR 17.543 for single people no solidarity surcharge will be due in the future.

There are no fixed percentages for wage taxes but there are tax brackets:

The list of wage tax brackets is as follows:

- ▶ Wage tax class 1 – granted to single people (or married people, who live separately)
- ▶ Wage tax class 2 – granted to single people, who have at least one child
- ▶ Wage tax class 3 – granted to married people if the spouse is accepting wage tax class 5
- ▶ Wage tax class 4 – granted to married people if the spouse is accepting wage tax class 4
- ▶ Wage tax class 5 – granted to married people if the spouse is accepting wage tax class 3
- ▶ Wage tax class 6 – granted to all people who work for more than one employer at the same time

2. Social security requirements

Social security insurance rates and obligations

There are monthly contribution assessment ceilings for pension insurance and unemployed insurance in 2023 of EUR7,300 for West Germany and EUR7,100 for East Germany. For health insurance and nursing insurance, the contribution assessment ceiling amounts to EUR4,987.50 for West and East Germany.

The monthly social security contributions are calculated based on the relevant income but maximum on the above mentioned ceilings:

- ▶ **Pension insurance contribution:**
9.3% paid by employee; 9.3% paid by employer
- ▶ **Unemployment insurance contribution:**
1.3% paid by employee; 1.3% paid by employer
- ▶ **Health insurance contribution:**
min. 7.3% paid by employee; min. 7.3% paid by employer

▶ **Additional contribution of the statutory health insurance funds:**

1.6% on average (the amount of the additional contribution is determined individually by each health insurance fund.)

▶ **Nursing insurance contribution:**

- 1.5% paid by employee; 1.5% paid by employer from 1st July 2023 onwards:
- 2.3% paid by employee (childless)
- 1.7% paid by employee (with 1 child, remains lifelong)
- from 2nd to 5th child the employee contribution will be reduced by 0.25% per child;
- 1.7% paid by employer (for all federal states except Sachsen)

Employer born compulsory social security contributions:

▶ **U1: Continued payment of wages**

Companies with up to 30 employees must pay a compulsory financial contribution for the solidarity-based financing of compensation for employer expenses in the event of continued payment of remuneration in the event of illness; the health insurance funds then reimburse between 50% and 80% of the compensation payments for employees' sick leave; the monthly contribution rate is between 1.7% and 4.1%, depending on the health insurance fund, and the assessment basis is analogous to the pension insurance contributions.

▶ **U2: Maternity protection**

Maternity leave places a financial burden on companies - because the employee is absent for a certain period of time. With the compulsory contribution to U2, the company is reimbursed for these costs. The monthly contribution rates vary: 0.29% - 0.99% depending on the health insurance fund, the assessment basis is analogous to the calculation of pension insurance contributions.

▶ **U3: Insolvency benefit apportionment**

The insolvency benefit contribution primarily serves to finance the employee's lost remuneration claims in the event of the employer's insolvency; the decisive factor is always the remuneration, which is also used for the contributions to the statutory pension insurance. The monthly contribution rate is currently 0.06%.

▶ **Compulsory accident insurance**

The accident insurance is annually calculated on the relevant risk tariff of the annual gross income of the employees, considering a max. income amount per employee for the annual contribution.

▶ **Severely disabled levy**

The severely disabled levy is payable by employers who have an annual average of at least 20 jobs and who do not employ severely disabled persons in at least 5% of the jobs.

Depending on the occupational rate the annual contribution is between EUR125 and EUR320 per month and unoccupied job.

▶ **Midijob**

If the earned income exceeds the marginal earnings threshold of EUR520, social insurance contributions will be compulsory for all employment relationships from 1 October 2022. The limit is between EUR520 to EUR2,000. In the so-called transitional area (midijob), the employee only has to pay a reduced share of the total social security contribution. In the pension insurance, however, the full contribution is reported and not only the reduced share.

3. Employment obligations

Minimum pay

- ▶ The legal wage per hour for the year 2023 amounts to at least EUR12.00. As of 1st January 2024, there is an increase to EUR 12.41 planned. It is applicable to all companies with exemptions for the following employees:
 - ▶ Certain types of interns
 - ▶ Children and young employees who have not completed their vocational training
 - ▶ Trainees within the meaning of the Vocational Training Act
 - ▶ Long-term unemployed people within the meaning of section 18, subsection 1 of the Social Security Law III
 - ▶ Volunteering workers
- ▶ Minimum pay should be determined on the basis of the working time accounts (documentation on the number of hours worked per week per month) or, if these do not exist, on the basis of the fixed working hours according to the employment contracts.
- ▶ In order to avoid that mini-jobbers are allowed to work less because of the minimum wage, the limit for the minijob was raised to EUR520.

Non-compliance can result in fines of up to EUR500,000 and criminal liability for managing directors and executive boards.

Vacation entitlement

Generally, vacation entitlement is regulated by law ("BUrlG Bundesurlaubsgesetz" in German) and also through employment contracts or collective agreements. Vacation is always related to working days, not hours. Full-time employees are entitled to full-day vacations, while part-time employees have their vacations adjusted accordingly. Employees in full-time employment are entitled to a minimum of four weeks (20 workdays) of holiday per calendar year.

Holiday

Holiday planning requires in-house arrangement so that not too many employees apply for leave at the same time. Rejection of a holiday application for urgent operational reasons is in principle possible, but the operational necessity may not be caused by negligence. Thus, the employer must employ enough staff or be willing to employ temporary workers in order to compensate for times when the employees have a higher-than-average sickness rate.

Employment contract

The employee not only has the obligation to perform his or her contractual work duties but also the right to appropriate employment. If the employment is not possible due to the temporary failure of a machine, the agreed salary must still be paid because the risk of unavailability of the required equipment is borne by the employer. Likewise, the employer must adhere to the agreed working time if the employment contract does not explicitly provide for flexibility.

However, flexible working hours also require timely agreement between the employer and his or her employees. If the employee is no longer able to exercise his or her duties for health reasons, he or she must be transferred to another place in the company within the scope of the company's possibilities.

Works council

The establishment of a works council is one of the fundamental rights of employees. The employer must allow appropriate election and enable the members of the elected body to exercise their functions. Likewise, every employee has the right to visit the works council during working hours.

Data security

The employer holds a variety of different employee data. This may only be used for the purpose for which it was obtained. A transfer of employee data is not possible in principle, exceptions require the express consent of the employee. The prohibition of the passing on of personal data concerns not only transmission to third parties, but also includes unnecessary transmission to other departments of the company. If an employee is dealing with sensitive data, he or she must be expressly committed to data protection. In addition, there is the obligation to appoint a data protection officer, who prevents or at least reveals violations of data protection.

Health and the value of the worker's work

The employer's duty to take care of the worker is regulated by different laws and covers both the health and value of the worker's work. If the transport of personal belongings to the workplace is not permitted or not possible, lockable cabinets must be provided. Workers with activities that cause pollution of the body must be provided with showers. The regular cleaning of toilets is also part of the employer's obligation to respect its employees. An essential element of the employer's obligation to provide care is to ensure compliance with occupational health and safety regulations. Both the daily maximum permissible working

time and the time between two work shifts are regulated by law; exceptions are possible only in absolute emergencies.

In the case of a recognizable illness of an employee, or if he or she is unable to work properly, the employer must influence him or her to visit the doctor.

Rehabilitation management after long sickness

After an extended illness, the company has to offer rehabilitation management to the employee. This includes a consultation as well as examination, even if operational reasons caused the circumstances which led to the illness.



4. Payroll requirements

Payment

A central duty of the employer is the payment of the agreed wage – the amount cannot be less than legal regulations, such as the minimum wage as described above.

Punctual payment and correct calculation of the amount is also an element of compulsory performance. If, instead of a fixed salary, the actual working time is paid, the employer must ensure that this is correctly recorded. According to the law, punctuality in money transactions is highly important. If the employee forgets to communicate his or her new bank account, the amount must be retransmitted as soon as possible. Transfer to the following month's salary is not allowed. Likewise, an erroneously inadequate transfer must be corrected immediately; in the case of minor amounts, transfer to the subsequent period can only be made if the employee expressly agrees. The obligation to pay includes the granting of paid leave as well as the payment of wages in the case of the employee's incapacity for work.

Voluntary company pension schemes

Voluntary pension schemes can be set up either by the employer and/or the employee.

From January 2022, every employer must pay 15% of the converted remuneration (at most the saved social security contributions) as a subsidy when saving deferred compensation via a direct insurance or pension funds, regardless of the conclusion date.

Year end certificates

The employer is obliged to provide each employee with a wage tax certificate when they leave the company or at the end of the year and at the same time to transmit the data electronically to the relevant authorities. The employee also receives a registration certificate for social insurance and an annual certificate, which serves in particular to calculate subsequent pension contributions.

Social security contributions and wage tax Contributions to social insurance must be paid by the employer who finally transfers also the contribution part of the employee. The employer carries out the technical implementation of the deduction of social security contributions and wage tax, in addition, the employer may even be personally liable for wage tax not being paid to the authorities.

Electronic payroll tax deduction characteristics "ELStAM"

All employees receive one personal tax ID number from the tax authority, since there is a mandatory electronic data exchange called "ELStAM" to be used where the payroll provider requests on behalf of the client a data exchange with the tax authority concerning the tax deduction features of the employees, such as tax brackets etc. If no tax ID number is provided, tax class VI should be used until receipt of proper data.

Electronic Data Exchange "eAU" as of 2023

In addition, an electronic medical certificate of incapacity for work is currently being introduced in Germany, in which the health insurance companies inform the client via the payroll provider when a medical employee sick note is available, thus eliminating the need to submit the medical sick note on paper. Nevertheless, the employee must immediately inform the employer verbally of his/her incapacity for work. From 2023, this procedure is to be introduced on a mandatory basis.

Electronic certificates of employment with the BEA procedure

From 1 January 2023 onwards, it is mandatory for all employers to submit the employment certificates, EU employment certificates and secondary income certificates electronically to the Employment Agency. The Employment Agency needs the employment certificate or the secondary income certificate to decide whether the employee is entitled to unemployment benefit and transitional allowance.

euBP - Electronically supported tax audit

The procedure for electronically supported tax audits for the purpose of transmitting payroll accounting data to the German pension insurance will become mandatory as of 1 January 2023. If recalculations have been made in the year before or from the year after the audit period into the previous year, the data from this year will automatically be transmitted to the DRV by euBP.

5. Banking requirements

A bank transfer file will be provided for client's online bank portal, a valid IBAN number is required for all transfers, thus transfers can also be made to corresponding SEPA employee accounts.

What is to be filed when, with which authority and how?					
What to file?	For which period?	When to file?	With which authority must it be filed?	How to file?	When is the payment due?
Payroll					
Wage tax return monthly ("Lohnsteueranmeldung")	If the total wage tax for the calendar year is more than EUR5,000, a monthly return for the wage tax arising from the first calendar day of the month to the last calendar day of the month has to be filed.	By the 10th of the following month (e.g., for June, by 10 July)	With the tax authority where the company has been registered and/or the local tax authority of the city where the company is located	The return has to be transmitted electronically to the authority.	By the 10th of the following month (e.g., for June, by 10 July)
Wage tax return quarterly ("Lohnsteueranmeldung")	If the total wage tax for the calendar year is more than EUR1,080, but less than EUR5,000, a monthly return for the wage tax arising from the first calendar day of the quarter to the last calendar day of the quarter has to be filed.	By the 10th of the month after the past quarter (e.g., for the first quarter, by 10 April)	With the tax authority where the company has been registered and/or the local tax authority of the city where the company is located	The return has to be transmitted electronically to the authority.	By the 10th of the month after the past quarter (e.g., for the first quarter, by 10 April)
Wage tax return yearly ("Lohnsteueranmeldung")	If the total wage tax for the calendar year is less than EUR1,080, a yearly return for the wage tax arising from the first calendar day of the year to the last calendar day of the year has to be filed.	By 10 January the following year	With the tax authority where the company has been registered and/or the local tax authority of the city where the company is located	The return has to be transmitted electronically to the authority.	By 10 January the following year

What is to be filed when, with which authority and how?					
What to file?	For which period?	When to file?	With which authority must it be filed?	How to file?	When is the payment due?
Payroll					
Premium statement for social security insurance (always monthly) ("Beitragsnachweis")	A monthly statement for the social security insurance premiums arising from the first calendar day of the month to the last calendar day of the month has to be filed.	By the fifth last working day of the corresponding month	With the health insurance companies of the employees	The statement has to be transmitted electronically to the health insurance companies.	By the third last working day of the corresponding month
Statement for compulsory accident insurance ("Meldung für die Berufsgenossenschaft")	A yearly statement for the total wages paid from the first calendar day of the year to the last calendar day of the year has to be filed in order to enable the authority to assess the yearly premium.	By 11 February of the following year	With the accident insurance company where the company has been registered	The statement has to be transmitted electronically to the accident insurance company.	By the date listed on the premium assessment notice which is sent by the authority to the company after the filing of the statement
Statement for the compensation levy for non-employment of severely handicapped persons ("Schwerbehindertenabgabe")	Only needed for companies with more than 20 employees. A yearly statement for the total wages paid from the first calendar day of the year to the last calendar day of the year has to be filed in order to enable the authority to assess the yearly premium.	By 31 March of the following year	With the Federal employment office where the company is registered	The statement has to be transmitted electronically to the federal employment office.	By 31 March of the following year

Guatemala

G



1. Government requirements

Registration requirements

Guatemalan Institute of Social Security (IGSS)

In accordance with the Board of Directors Agreement no. 1123 – Regulations for registration of employees in the social security regime, the following are required when registering with the Instituto Guatemalteco de Seguridad Social (IGSS) (Guatemalan Institute of Social Security):

- ▶ Photocopy of the company's trade patent
- ▶ Photocopy of business trade patent
- ▶ Photocopy of public deed of constitution of the complete society (legible and its modifications if any)
- ▶ Photocopy of the notarial certificate of appointment of the legal representative, with annotation of the Mercantile Registry
- ▶ Photocopy of the personal identification document (DPI) of the legal representative, legible from both sides
- ▶ In case of foreigner representative, a photocopy of the passport authenticated by a notary
- ▶ Photocopy of the certificate of registration and modification to the Registro Tributario Unificado (RTU - Unified Tax Registry) with current and recent ratification

Institute for Recreation of Workers of the Private Company of Guatemala (IRTRA)

According to Decree 1528 of the Congress of the Republic of Guatemala, the required documents for registration include:

- ▶ Letterhead with the address where the procedure to be completed is specified
- ▶ Photocopy of DPI
- ▶ Photocopy of the employer registration to the IGSS (form DRPT-001) and indicate the number of employees
- ▶ Photocopy of the resolution issued by the Department of Collection of the IGSS
- ▶ Photocopy of the registration of establishment issued by the IGSS

It is also necessary to send a photocopy of the receipts once they begin to attribute the recreation tax to IGSS.

Tax administration

Every individual or legal entity is obliged to register in the Unified Tax Registry when starting any lucrative activity or business (sale of goods or provision of services), subject to a tax under the administration of the General Tax Office.

The required documents for registration include:

- ▶ DPI of the legal representative
- ▶ In case of no DPI, a document issued by National Registry of Persons (RENAP) stating the process of obtaining the document to be attached; along with the unique identification code (CUI), with or without a photograph
- ▶ A neighborhood card in accordance with the law for cases that apply
- ▶ Passport in case of foreigner
- ▶ Testimony of the original constitution or legalized copy and photocopy
- ▶ Appointment of the original legal representative or legalized copy and photocopy

EY contacts

Antonio Ruiz

T: +506 2208 9800

E: antonio.ruiz@cr.ey.com

Jose Pablo Artavia

T: +506 2208 9891

E: pablo.artavia@cr.ey.com

Yazmín Duarte

T: +506 2208 9800

E: yazmin.duarte.zeledon@cr.ey.com

Evelin Leal

T: +502 2461 3174

E: evelin.leal@gt.ey.com

Simultaneous management

The employer must enable accounting books (books that are necessary according to your affiliations) with the form SAT-RM02 (available on the Mercantile Registry page); the employer must cancel GTQ0.50 for each page enabled.

Notes:

- ▶ The employer must ask any printing company authorized by SAT to print its invoices and other documents.
- ▶ The employer must register its "Active Accountant Expert."
- ▶ The employer can change the regime, after notifying the Tax Administration, as long as they submit it in the month of December and it will take effect as of 1 January of the following year.
- ▶ When the employer has complete accounting, it can opt for the accrual accounting system, for both income, and costs and expenses. It can change with prior authorization from the Tax Administration.

Ongoing compliance requirements

- ▶ Monthly income tax reporting to the SAT should be done through the SAT-1331 form and the SAT-2000 receipt is provided during the first 10 business days of the month.
- ▶ For monthly social security contributions, a receipt is generated from the online system of the IGSS and payment is made on the 20th of each month.
- ▶ An annual reconciliation of withholdings is made to the tax authority, which is a breakdown of all the withholdings made from employees' pay during the fiscal year. This is submitted on 28 February every year.

2. Pension requirements

Registration requirements

According to the IGSS:

- ▶ Pension for old age is available for those who reach 62 years of age and who have 240 months of contributions (Agreement no. 1124 of the Board of Administration of Regulations on Disability, Old Age and Survival (Consejo De Administración De Reglamentos Sobre Discapacidad Vejez Y Sobrevivencia)).
- ▶ In addition, every individual can voluntarily contribute to a pension plan via the authorized banks in the Guatemala banking system.

3. Employment obligations

Employer contribution	Percentage
IGSS	12.67%
Christmas bonus accrual	8.33%
XIV bonus accrual	8.33%
Vacation accrual	4.17%
Severance accrual	8.33%

The minimum salary depends on the business activity:

Agricultural	GTQ3,323.60
Nonagricultural	GTQ3,416.38
Exporter and maquila	GTQ3,143.54

- ▶ A minimum salary of GTQ3,323.60 and payment of Bonus 14 (Bono 14 which is payable in July each year) are required.
- ▶ Incentive bonus includes GTQ250.00.
- ▶ Christmas bonus must be paid from 15 December each year, or in two phases, i.e., the first part paid in the fortnight of December and the second part paid in the fortnight of January. The most common practice is to pay in December.
- ▶ Employees are eligible to 15 days of vacation for each year worked.

4. Payroll requirements

Employees must receive either monthly or biweekly payments.

Monthly income tax reporting to the SAT is performed through the SAT-1331 form and the SAT-2000 receipt is provided during the first 10 business days of the month.

For monthly social security contributions, a receipt is generated from the online system of the IGSS and payment is made on the 20th of each month.

An annual reconciliation of withholdings is made to the tax authority, which is a breakdown of all the withholdings made from employees' pay during the fiscal year. This is submitted on 28 February every year.

Annual report of active employees must be reported to the labor ministry.

The salary book is a legal obligation established in the Labor Code, Article 102, which states: "Every employer that permanently employs ten or more workers must keep a salary book authorized and stamped by the General Directorate of Labor of the Ministry of Labor and Social Welfare, which is obliged to provide models and standards for proper printing."

5. Banking requirements related to payroll

There are no specific requirements.



1. Government requirements

Registration requirements

Tax registration

Section 60A(1) of the Income Tax Act of Guyana (GITA) provides that every person making an application to or that is issued any permission, license, authority or any such other document by a government department, public authority (including the Guyana Revenue Authority), public corporation or the central bank (Bank of Guyana) is required to have a taxpayer identification number (TIN) and furnish such TIN to the person processing such application or issuing the document.

A TIN is a unique number assigned to a taxpayer by the Guyana Revenue Authority (GRA) for conducting business with the various authorities, including the GRA. As such, all taxpayers, whether companies or individuals, are required to obtain a TIN. It should be noted that the following persons are not required to obtain TINs:

- ▶ Any person under the age of 15 years
- ▶ Any person exempted from tax on emoluments, including the president, chancellor, chief justice and member of permanent consular services of foreign countries
- ▶ Temporary residents in Guyana not in receipt of income where the total period of residence in Guyana does not exceed 183 days in the year
- ▶ A person who satisfies the GRA that he or she is not in receipt of income or not required to furnish a return of income

In view of the above, a company that has employees exercising employment in Guyana must obtain a TIN to facilitate the remittance of payroll taxes to the GRA. Once TINs are obtained, companies and individuals are urged to be registered with the GRA's online filing platform known as "optimal," which provides real-time updates to a taxpayer.

To facilitate the processing of a TIN application for an employee, a completed TIN application form along with a form of identification and proof of address must be submitted to the GRA. In the case of a company, the incorporation or registration documents must be submitted along with the completed application form.

Applications are generally processed within one business day and a processing fee of GYD1,000 must be paid to the GRA. Thereafter, a TIN Certificate is issued to the taxpayer.

It is imperative that a TIN be obtained in a timely manner, as failure to obtain a TIN may result in delays in the processing of transactions.

National insurance registration

National insurance in Guyana is similar to social security in other jurisdictions. The National Insurance and Social Security Act of Guyana requires that companies register with the National Insurance Scheme (NIS) and submit contributions on behalf of their employees. The employees of the company are also required to be registered with the NIS once they are engaged in insurable employment.

To facilitate the registration of an employee with the NIS, a completed application form must be submitted along with a form of identification. In the case of a company, the incorporation or registration documents must be submitted along with the completed application form.

EY contacts

Gail Marks

T: +592 225 2835

E: gail.marks@tt.ey.com

Alicia Pereira

T: +1 868 822 6163

E: alicia.pereira@tt.ey.com

Amrita Prashad

T: +592-225-2835

E: amrita.d.prashad @tt.ey.com

Applications for an individual are generally processed within two to five business days, whereas applications for companies are processed within four to six weeks as a verification exercise must be completed by the NIS.

Ongoing compliance requirements

Pay-as-you-earn (PAYE)

In accordance with the GITA, individuals exercising employment in Guyana are subject to tax at the following rates on taxable income:

Taxable income	Rate of tax
Up to GYD2,040,000	28%
Over GYD2,040,000	40%

In ascertaining taxable income, the following deductions are allowed:

- ▶ Personal allowance of the higher of GYD1,020,000 or one-third of an individual's total income
- ▶ Hundred percent of employee's national insurance contributions
- ▶ An annual deduction for life and medical insurance premiums paid by employees of GYD360,000 or 10% of income, whichever is lower

An amount equal to one month of an employee's salary can also be given to the employee as a vacation allowance. This amount will not be subject to tax.

In accordance with the income tax (deduction of tax from emoluments) regulations, the employer is required to deduct the employee's income tax (PAYE) and remit the same to the GRA on a monthly basis. The tax deducted must be reported on a Return of Deductions of Tax By An Employer (Form 5) and must be submitted to the GRA along with the payment within 14 days of the end of each month.

Failure to deduct and remit PAYE by the prescribed date would result in interest or penalties as follows:

- ▶ Late filing penalty of 10% of the tax assessed
- ▶ Late payment penalty of 2% per month
- ▶ Interest at a rate of 18% per annum

In addition to the monthly filings, employers are required to submit an annual return – Return To Be Made By Employers Of Persons Employed By Them (Form 2). Form 2 must be submitted to the GRA on or before 28 February in the year following the income year.

2. Pension requirements

National insurance contributions

The maximum insurable earnings in respect of which national insurance is payable is GYD280,000. Where each

employee earns the maximum insurable earnings on a monthly basis, the maximum amount of national insurance contributions for both employer and employee is as follows:

Contributor	Rate	Maximum insurable earnings	Amount
Employer	8.4%	GYD280,000	GYD23,520
Employee	5.6%	GYD 280,000	GYD15,680
Total			GYD39,200

It should be noted that if the employee is under the age of 16 years or over the age of 60 years, only the employer is required to contribute at the rate of 1.5%.

The employer is required to deduct the employee's contribution (where applicable) and pay the amount, along with the employer contribution to the NIS. The contributions in respect of the employer and employee must be reported on the contribution schedule (CS2), which must be submitted along with the payment within 15 days of the end of each month.

There are no additional pension requirements other than as required by the NIS. If a company is desirous of establishing and operating a pension fund plan for its employees, it must be registered in accordance with the criteria set out under the Insurance Act, Chapter 91:02.

3. Employment obligations

An employer should comply with the various labor acts as provided under the labor laws of Guyana including but not limited to:

- ▶ Labour Act
- ▶ Termination of Employment and Severance Pay Act
- ▶ Holiday with Pay Act
- ▶ Labour (Conditions of Employment of Certain Workers) Act
- ▶ Occupational Safety and Health Act

Minimum wage

Currently, there is a general minimum wage applicable within the private sector of GYD60,147 monthly, GYD13,891 weekly, GYD2,776 daily, and GYD347 hourly.

Hours of work

The prescribed number of hours to be worked varies by occupation and industry. The normal work week shall be 40 hours and should not exceed five days per week.

Overtime

Employees who work more than the prescribed or agreed hours in any one day are entitled to be paid at the rates ranging from time and a half to double time depending on the category of worker or as agreed between parties.

Maternity leave

Female employees are entitled to 13 weeks’ maternity leave and this may be extended to a further 13 weeks under specific circumstances. There is also the option to commence maternity leave starting not earlier than six weeks before the expected date of confinement. Paternity leave for the father is not available.

Paid leave

Employees are entitled to a period of leave with pay of not less than one day for each completed month of employment computed from the date of engagement. Employees paid daily are entitled to one day for every 20 days worked and employees paid on an hourly basis are entitled to one day for every 160 hours worked.

On termination, leave with pay entitlements are prorated and paid in lieu of leave being taken.

Termination of employment

On termination of employment, an employee who has completed one or more years of continuous employment with a single employer may be entitled to be paid a severance or redundancy allowance depending on the reason for termination. If it is determined that such allowance should be paid, the allowance should be as follows:

One week’s wages	For each completed year of service for the first five years including the entitlement year
Two weeks’ wages	For each completed year of service after the fifth year and up to the 10th year
Three weeks’ wages	For each completed year of service in excess of 10 years up to a maximum of 52 weeks

In addition, notice of termination may be required to be served. The notice period and any payment in lieu of notice is generally determined by the reason for termination.

4. Payroll requirements

Payroll payments are to be made on the dates agreed between the parties and this may be done weekly, fortnightly or monthly. The most common payment frequency is monthly and it is the practice of companies to pay their employees on or around the 25th day of each month.

The Labour Act provides that an employer is required to maintain records to demonstrate that the provisions of the act are being complied with. Employers generally maintain a register showing the particulars of wages paid to its employees and the date on which each employee entered its employment.

In addition, employers are required to furnish the employees with the particulars of their wages and this is generally done in the form of a pay slip (either electronically or hard copy).

Further, the GITA provides that the employer provides a certificate (referred to as an emolument slip or Form 7B2) which shows the total amount of the emoluments paid to the employee during the year. This emolument slip is generally provided to the employees after the end of the income year to facilitate the preparation and submission of their annual income tax returns.

5. Banking requirements

Under section 20 of the Bank of Guyana Act, all monetary transactions in Guyana are deemed to be expressed, recorded and must be settled in Guyana dollars, unless otherwise provided by law or agreed between the parties. A party may not agree to settle or actually settle under any agreement, monetary obligation or transaction in Guyana in any currency other than Guyana dollars except with the permission of the bank after consultation with the relevant minister. Such permission may be granted to a person in respect of a single obligation or transaction, or a class of obligations or transactions. Permission may also be granted to such conditions as the Bank of Guyana deems fit.

Payroll payments can be made via cash, check, electronic funds transfer or bank transfer. Nonetheless, if the company is desirous of settling their payroll obligations in a foreign currency, permission should be obtained.



1. Government requirements

Registration requirements

Companies must be registered at the Honduran Social Security Institute (IHSS) Secretariat of Finance (SEFIN), Instituto de Nacional de Formación Profesional (INFOP), Privat Contribution Scheme (RAP Régimen de Aportación Privada).

Honduran Social Security Institute (IHSS)

General requirements:

- a. Photocopy of company deed
- b. Classification of the economic activity of the company
- c. Exact address of the company (sketch)
- d. Registro Tributario Nacional/National Tax Registry of the Company
- e. Email
- f. Photocopy of identity card of the employer or manager
- g. List of workers indicating
 - ▶ Number of identity or legal residence of each worker
 - ▶ Full name and surname
 - ▶ Start date
 - ▶ Number of affiliation
 - ▶ Salary that accrues monthly

Tax administration

Companies must have a Tax Registry ID called "Registro Tributario Nacional (RTN)".

General requirements:

To obtain the RTN of a commercial company, the following documents are required:

- a. Registration form (Form DEI 410) needs to be duly completed – This form is obtained free of charge at the customer service windows of the Dirección Ejecutiva de Ingresos.
- b. Photocopy of constitution deed or authorization letter issued by a notary
- c. Photocopy of the RTN of the notary who authorized the deed of incorporation
- d. Photocopy of the identity cards of the partners
- e. Copy of identity and RTN of the manager or president

Instituto Nacional de Formación Profesional (INFOP)/National Institute of Vocational Training

Autonomous and semi-autonomous institutions are not expressly exempted from paying contributions under this law; the contribution is one percent of the amount of salaries and wages paid to the Institute on a monthly basis.

General requirements:

- a. Fill out the registration form (it will be delivered to the Management of Contributions Department), signed and stamped by the general manager or legal representative

EY contacts

Antonio Ruiz

T: +506 2208 9800

E: antonio.ruiz@cr.ey.com

Jose Pablo Artavia

T: +506 2208 9891

E: pablo.artavia@cr.ey.com

Yazmín Duarte

T: +506 2208 9800

E: yazmin.duarte.zeledon@cr.ey.com

Evelin Leal

T: +502 2461 3174

E: evelin.leal@gt.ey.com

- b. Photocopy of:
- ▶ The constitution deed
 - ▶ Current operating permit
 - ▶ National Tax Registry (RNT) of the Company
 - ▶ Identity card of the manager or legal representative

Steps

- a. Enroll in the Register of Institute Taxpayers.
- b. Submit to the Institute the balance sheet corresponding to the previous year, within 60 days following the closing of operations.
- c. Submit to the Institute monthly copies of the payroll and wages earned by their workers or other equivalent documents.
- d. Structure and develop professional training services in accordance with the provisions of the Institute.
- e. Present when required by accredited representatives of the Institute, the necessary accounting documentation for the verification of contributions (this information will be kept confidential).
- f. Provide the Institute within the terms set by it, with the information it requires for the fulfillment of its purposes.

Regimen de Aportaciones Privadas (RAP)

Any company that has 10 or more employees in the national scope, must contribute to the RAP. The RAP allows the affiliation of any company with a minimum of five employees for companies that wish to join voluntarily.

The RAP is the labor-employer contribution (equivalent to 1.5% worker and 1.5% employer), and it constitutes a mandatory contribution of employers and workers of the country. This is credited in the form of savings deposits in favor of each contributing worker.

General requirements:

- a. Photocopy of the constitution or document that protects legal status
- b. Photocopy of the Legal Power of Representation
- c. Photocopy of identity card of the legal representative of the company
- d. Photocopy of the RTN of the company
- e. Completed application for Registration of Employer Affiliation (signed and stamped)

Ongoing compliance requirements

The monthly payment of taxes will be according to the annual tax calendar, validating the last digit of the tax identification number of the company.

For monthly social security reports, the payment must be made on the 10th business day of each month

The INFOP contributions must be paid at the institution determined by the Institute, within 10 business days following the corresponding month.

Neighborhood tax (Impuesto Vecinal): This is a type of personal tax that falls on the annual income received by natural persons within a municipality, whether or not they have domicile or residence therein. It is the income, any kind of return, profit, dividend, income, interest, product, profit, participation, salary and in general any perception in cash, in securities or in kind that modifies the assets of the taxpayer. This personal tax is paid to each municipality and needs to be deducted from payroll. The company is the withholding agent for this personal tax.

Every natural person will pay annually a personal tax, on their annual income received in the Municipality, which will be computed by applying the rate contemplated in Article 77 of the Municipalities Act and it must be presented before 30 March of each year.

2. Pension requirements

RAP

Refer to the earlier section on RAP for the registration requirements.

Affiliation to any other pension fund administration is voluntary and its contribution depends on the economic capacity of each person or the amount desired. The pension fund administration charges a percentage for the administration of the funds, which are invested in financing through banks.

Ongoing compliance requirements related to pension

It is required to report salaries to RAP every month.

3. Employment obligations

Employer contribution	Percentage	Max cap Lempiras*
Ley Marco Proyección Social	3.3%**-4%	31,621.32**-31,662.93
IHSS (EM & IVM) Sick, Maternity, Disability, Old age and death	5%	10,342.19
	2.75%**-3.5%	10,782.30**-10,796.49
RAP (more than 10 employees)	0.75%**-1.5%	0
INFOP	1.00%	N/A
13th month accrual	8.33%	N/A
14th month accrual	8.33%	N/A
Vacation (10 días Año 1)	2.78%	N/A
Severance	8.33%	N/A

* The amounts of maximum cap will change every year in January.

Thirteenth month:

Salary of the 13th month as a bonus will be paid in the month of December each year. However, the parties may agree on such delivery on a different date, and it will be paid by calculating the average of ordinary wages received during the time worked in the year in question. It takes into consideration the salaries paid from 1 January to 31 December of the current year.

Fourteenth month:

Payment of the 14th month of salary is established as a right to all employees and workers. It is effective in the month of June each year, in the same modality and conditions with which the 13th month becomes effective (in Aguinaldo Concept). It takes into consideration the salaries paid from 1 July of the previous year through 30 June of the current year.

A worker is entitled to paid annual leave after completing 12 months of continuous service with the same employer. To take advantage of the annual leave, the employee must have worked at least 200 days during a year. The length of annual leave depends on an employee's length of service with an employer. This is at least:

- ▶ 10 days per year of uninterrupted service
- ▶ 12 days for two years of uninterrupted service
- ▶ 15 days for three years of uninterrupted service
- ▶ 20 days for four or more years of service

4. Payroll requirement

Statutory payroll requirements

Employers must make monthly or biweekly salary payments and comply with the above employment obligations.

The monthly payment of taxes will be according to the annual tax calendar, validating the last digit of the tax identification number of the company.

For monthly social security reports, the payment is made on the 10th business day of each month.

The INFOP contributions must be paid within 10 business days following the corresponding month.

The RAP contributions must be paid within 10 business days following the corresponding month.

5. Banking requirements related to payroll

This information is not applicable.

Hong Kong

H



1. Government requirements

Registration requirements

Employees' Compensation Insurance (ECI)

It is compulsory for the employer to take up ECI cover the liabilities under the Employees' Compensation Ordinance and also under the common law for the work injuries and occupational diseases that may be suffered by the employees under contract of service.

Employer's tax file number

The new employer will be issued with an employer tax file number from the Inland Revenue Department (IRD). Employers may request this by writing to the IRD with the company's certificate of incorporation, if not automatically issued by the IRD.

New employees

The employer will be required to file a Commencement Notification form IR56E to the IRD within three months of the employee's start of employment.

Ongoing compliance requirements

ECI

The employer should report to the Commissioner for Labour for any accident or occupational disease in specified period based on the level of injury and occupational disease.

Employer's filing obligation - annual reporting

The employer is required to report the remuneration paid to the employees by submitting the annual Employer's Return (BIR56A and IR56B) within one month after the tax year end to the IRD for their employees.

Terminated employees

The employer is required to file a Notification of Cessation of Employment form IR56F (on termination of service or death), no later than one month before cessation.

If the employee is leaving Hong Kong for good or for a substantial period of time, the employer is required to file a Departure notification form IR56G, no later than one month before departure and withhold money for tax clearance.

2. Pension requirements

Registration requirements

Employers should enroll all employees in a Mandatory Provident Fund Scheme (MPF) no later than 60 days upon their first day of employment according to the Mandatory Provident Fund Scheme Ordinance (Cap 485). For new joiners, the employee is eligible to a 30-day contribution holiday and he or she should make the contribution together with the employer in the month when 60 days of employment is reached.

EY contacts

Vincent Hu

T: +852 3752 4885

E: vincent.wh.hu@hk.ey.com

Brigitte Wu

T: +852 2515 4123

E: brigitte.wu@hk.ey.com



Ongoing compliance requirements

The employer and the employee should make monthly MPF payments calculated at 5% of the employee's relevant income subject to minimum and maximum capping on or before the contribution in each month (i.e., 10th day of the following month). With effect from 1 November 2013, the minimum relevant income level is HKD7,100 (applicable to the employee only) and the maximum relevant income level is HKD30,000 with effect from 1 June 2014.

3. Employment obligations

Employment Ordinance

According to the Employment Ordinance, the employer and the employee should have signed an employment agreement listing out the conditions of the employment which includes but not limited to wages (rate of wages, frequency, etc.), wage period, notice period for termination of employment and the details of end of year payment if eligible. The employer should always keep all wage and employment history of each employee in a period preceding 12 months during their employment. The related information should also be kept for 12 months after the employee's last working day.

Minimum wage

Under the Employment Ordinance, the employee's average wages in a wage period must not be less than the statutory

minimum wages. Statutory Minimum Wage (SMW) has come into force since 1 May 2011. With effect from 1 May 2023, the SMW rate is raised to HKD40 per hour. Concurrently, the monetary cap on the requirement of employers keeping records of the total number of hours worked by employees is also revised to HKD16,300 per month.

Leave entitlement

In addition to the minimum wages, the employers must provide at least the leave entitlement set out under the Employment Ordinance. All employees employed under continuous contract shall enjoy not less than one rest day for every seven working days and statutory holiday. The employees who have been employed for more than three months shall also enjoy the statutory holiday paid. From 2022 onwards, the Birthday of the Buddha is a newly added statutory holiday. Starting from 2024, statutory holidays will further be increased progressively to 17 days.

The minimum requirements for annual leave are seven days paid annual leave per year and the annual leave shall increase one day per additional service year after the second service year until the annual leave capping of 14 days is reached on the ninth service year. Employees employed under continuous contract also have the right to accumulate two paid sickness days per month during the first 12 months of employment, and four days per month thereafter to reach a maximum of 120 days of paid sick leave.

Pregnant employees, who is employed under continuous contract, shall enjoy 14 weeks' maternity leave and the maternity leave shall also be paid if she has been employed under continuous contract for not less than 40 weeks before the commencement of maternity leave. Male employees shall enjoy minimum of five days paid paternity leave if they have been employed under continuous contract for not less than 40 weeks before the first day of paternity leave.

4. Payroll requirements

Payroll payments

The employer should strictly follow the timing of payment set out in the Employment Ordinance. The employer is required to make salary payment to the employee on the last day of each pay period or not later than seven days after the end of wage period. Wage period can be defined by the employer and the employee but usually set as one month. For termination case, the employer should settle

all final payment (except severance payment) within seven days after the employees' termination date.

Statutory entitlement under Employment (Amendment) Ordinance 2007

As set out in the Employment (Amendment) Ordinance 2007, holiday pay, annual leave pay, sickness allowance, maternity leave pay, paternity leave pay, end of year payment and wages in lieu of notice should be calculated on the basis of the 12-month average wages preceding the day or the first day of the leave period of an employee.

5. Banking requirements related to payroll

There is no specific requirement on the mode of payment. Some MPF trustees may not accept overseas bank transfer and will require local Hong Kong bank transfer.



EY contacts

Krisztina Bedő
T: +36 30 822 5059
E: krisztina.bedo@hu.ey.com

Éva Kocsis
T: +36 30 823 0268
E: eva.kocsis@hu.ey.com

Tünde Vásárhelyi
T: +36 30 596 1446
E: tunde.vasarhelyi@hu.ey.com

Reka Makkai
T: +36704100144
E: reka.makkai@hu.ey.com

1. Government requirements

Registration requirements

In Hungary, Act CL of 2017 on the Rules of Taxation states that the following registration are required for employers:

- ▶ Tax registration at the Hungarian National Tax and Customs Office (hereafter “Hungarian Tax Authority”)
- ▶ Government gateway registration
- ▶ As of 1 January 2024 registration at the National Health Insurance Fund of Hungary is no longer required.
- ▶ Registration at the Hungarian Central Statistical Office

Registration procedures

New companies in Hungary have to register themselves to receive a tax number.

It is mandatory for the companies in Hungary to communicate electronically with the state authorities as well as to arrange the pertaining submission and reception of documents (e.g., monthly payroll return) via official platforms for the fulfilment of this obligation, the state provides the economic organizations with the “Company Gate” (“Cégkapu” in Hungarian) service.

The companies may be represented by an authorized person in the course of performing the administration before the Hungarian Tax Authority. To confirm the right of representation, a specific form should be completed with the data of the company and the representatives and submitted to the Hungarian Tax Authority with a permanent authorization attached.

From payroll perspective, the company as an employer must register the new joiners and the leavers at the Hungarian Tax Authority. The form should include the employer’s data, employee’s data and information about the employment relationship (e.g., working hours).

All forms are available in Hungarian only.

Related registration fee

There are no related authority fees.

Ongoing compliance requirements

Monthly payroll return containing all employees’ income, benefit-in-kind payments and the related liabilities

Personal Income Tax, Social Contribution Tax, and Support for the Development of Training Programs, Social Security Benefits Acts and rules about the compulsory health insurance benefits are governed under the Hungarian National Tax and Customs Office.

The employer must prepare and file the monthly payroll return by the 12th day of the following month through the Government Portal.

The employer must also withhold the taxes and social security contributions from the employees’ gross salaries and transfer these payroll taxes to the designated bank accounts of the Hungarian Tax Authority by the 12th day of the following month.

Act CL of 2017 on the Rules of Taxation

Act No 122/2019 on those entitled to social security benefits and the coverage of these benefits

Act No LXXXIII/1997 on Benefits of Compulsory Health Insurance

Act LXXV of 2010 on simplified employment

The company as employer has to determine and withhold the liabilities.

Tax rates applicable

The following taxes and contributions are deducted from the employees' total income:

- ▶ Personal income tax: 15%
- ▶ Social security contribution: 18.5%

The employer is required to pay the following taxes and contributions based on the employees' gross salaries:

- ▶ Social contribution tax: 13%

Rehabilitation contribution above 25 employees

In certain cases, the income can be exempted from Hungarian taxation or social security based on the tax treaties and social security agreements. In this case, the tax base and social security base would differ from the local employee's tax and social security base as it would be prorated.

2. Pension requirements

There is no separate registration requirement for pension purposes in Hungary. The monthly payroll return includes pension contributions which will be forwarded to the National Pension Fund by the Hungarian Tax Authority.

3. Employment obligations

Employment obligations under the Hungarian Labour Law and related ordinances are governed by the National Work Safety and Labour (Issues) Inspectorate.

In accordance with the law, a valid employment should be in place between the employer and the employee.

Details of obligations

Payment

The gross monthly base salary or gross hourly salary has to be fixed in the employment contract.

Payment of the monthly salary must be completed until the 10th of the month following the month to which it pertains.

If payday falls on a weekly rest day (weekly rest period) or a public holiday, the wages shall be paid at the latest on the last preceding working day.

Upon termination of the employment relationship by notice, the employee must receive the work wages in any case till the fifth working day after the termination of the employment relationship.

Sick leave

Employees are entitled to 15 working days of sick leave per calendar year. In respect of employment relationship commencing during the actual calendar year, employees are entitled to sick leave as of the starting date for the days prorated.

Additional and special sick pay shall be applied in connection with long term sickness, any duration of being unfit for work due to accidents at work and occupational diseases as specified by social insurance provisions, and in connection to pregnancy.

Maternity leave

Mothers shall be entitled to 24 weeks of maternity leave. In the absence of an agreement to the contrary, maternity leave shall be allocated to commence four weeks prior to the expected time of birth. The duration of maternity leave, except where entitlement is specifically connected to work, shall be recognized as time spent at work.

Child care allowance and child care fee (paid by the social security authority).

Holiday

Workers are entitled to paid annual leave based on the time spent at work, comprising vested vacation time and extra vacation time. The amount of vested vacation time is 20 days, to which extra vacation time is added, depending on the age of the employee. Maximum available vacation time is 30 days.

Vacation time must be allocated by the employer in the year in which it is due.

Employees with children under 16 years of age are entitled to extra vacation time as follows:

- ▶ Two working days for one child
- ▶ Four working days for two children
- ▶ Seven working days for three children

In case the child is with disabilities, extra vacation days must be increased by two working days.

This extra vacation time may be requested by both parents.

Upon the birth of his child, a father shall be entitled to 10 days, 5 fully paid, the remaining 5 days paid only with 40% of the absence fee, five extra vacation days, or seven days in the case of twins, until the end of the second month from the date of birth, which shall be allocated on the days requested by the father.

Minimum salary

The amount and scope of the mandatory minimum wage and the guaranteed wage minimum shall be determined by the Government each year.

As of 1 December 2023, the minimum wage for unskilled labor is gross HUF266,800 and gross HUF326,000 for skilled labor. The minimum wage is subject to change

in 2025. Minimum wages may also be affected through collective bargaining agreements.

Overtime

Any employee that works more than the number of contracted hours, or 40 hours per week is eligible for mandatory overtime pay. Overtime pay is 50% of the base salary on top of the base for every hour worked, 100% on weekends or the days when employee does not have work schedule..

The employee is entitled to 50% wage supplement if required to work on Sundays in regular working time.

Employees required to work on public holidays in regular working time shall be entitled to 100% wage supplement.



Observations

Part-time employees should be treated like full-time employees, irrespective of the hours worked. In the case of part-time work, annual leave shall be reduced proportionately. The benefits will be prorated for part-time permanent contracts.

The duration of a fixed-term employment relationship may not exceed five years, including the duration of an extended relationship and that of another fixed-term employment relationship concluded within six months of the termination of the previous fixed-term employment relationship.

4. Payroll requirements

Payroll requirements established under the Hungarian Labour Law and Personal Income Tax are governed by the National Health Insurance Fund National Work Safety and Labour (Issues) Inspectorate and Tax Authority respectively.

Details of payroll requirements include:

- ▶ Registering and de-registering insured employees
- ▶ Calculating monthly payroll
- ▶ Calculating taxes and contributions payable monthly, providing the company with the exact amounts
- ▶ Preparing monthly payroll return
- ▶ Issuing of income certificate



- ▶ Preparing reports and GL postings for the accounting of the company as an employer
- ▶ Providing financial services (bank transfers): transferring net salaries or social charges (optional), performing payroll consulting on request (payroll planning and calculations)
- ▶ Requesting tax certificates (special order)
- ▶ Paying the income tax advances and the related payroll and social security contribution the employer has deducted by the 12th day of the following month
- ▶ Preparing statistical reports
- ▶ Performing administrative tasks related to benefits-in-kind
- ▶ Conducting administration of health insurance benefits and allowances (sickness benefit, infant care allowance, childcare allowance, etc.)

Observations

In case of payments from the parent entity, separate agreement is necessary, and the relevant liabilities can be settled through the Hungarian payroll. The payments or policies should be reviewed case by case.

5. Banking requirements related to payroll

In accordance with Act I of 2012 on the Labour Code under the Hungarian Labour Authority, salaries must be paid no later than the 10th of each month. The exact date of payment must be set out in the employment contract, and payment should be in local currency.

As of 1 January 2023, as a general rule payments must be paid via wire transfer but the parties may also agree in writing to pay in cash. In case of cash payments, the employer and the employee must sign a record confirming that the payment has been paid. The tax and contribution obligations must be paid by the 12th of the following month.

On payday, the employees must be provided a pay slip (in an electronic form or hard copy) which contains the employee's gross and net salary with all the taxes and contributions deducted in that month.

India



1. Government requirements

Registration requirements

Permanent Account Number (PAN)

In accordance with the Income-tax Act, 1961, companies should register for a Permanent Account Number (PAN), which is a corporate income taxpayer's identification number. This is a mandatory requirement and the PAN is issued as part of the incorporation process of a company. It is a unique identity number to be quoted by a company for all income tax filings and communications and a mandatory document for undertaking a variety of transactions in India.

Tax Deduction Account Number (TAN)

In accordance with the Income-tax Act, 1961, companies should register for a Tax Deduction Account Number (TAN), which is a corporate number required to be obtained by all persons responsible for collecting or withholding taxes. A company has to remit taxes under this identity when it withholds taxes from its employees or from its vendors. It is a unique identity number to be quoted by the company for all its withholding tax filings and communications. If a company operates at multiple locations, it has the option to register the TAN in multiple locations; however, a company may also choose to have a single TAN registration.

Ongoing compliance requirements

Tax compliance

In accordance with the Income-tax Act, 1961, while making certain payments, the employer is required to withhold taxes and deposit the same into the Indian Government Treasury. The tax on payment of salaries needs to be withheld at the prescribed slab rates at the time of payment/credit to the account of the payee or accrual in specific cases, whichever is earlier.

The Indian tax year is the period beginning on 1 April and ending on 31 March of the following year.

The rates in force for the tax year in which payment is made (slab rates) are subject to amendment every year. The withholding should be made proportionately at the time of every salary payment at the average rate of income tax, computed on the basis of slab rates and estimated income for the employee for that tax year.

The taxes withheld from the income credited or paid from April to February have to be deposited into the Government Treasury within seven days from the end of the month in which such income was credited or paid. Taxes withheld from the income credited or paid in the month of March have to be deposited into the Government Treasury by 30 April.

In April 2020, the Government had introduced a new regime of taxation that provides an option to individual taxpayers to pay taxes at reduced slab rates. Certain exemptions and deductions were not available to the taxpayer under the new concessional tax regime. Individuals were given to choose the new concessional regime if it was more beneficial to them. Effective April 2023, the Government has made the new tax regime more attractive in various ways like enhancing the basic exemption limit, extending benefit of standard deduction

EY contacts

Shobha Keni
T: +91 98450 51011
E: shobha.keni@in.ey.com

Vinayak Iyer
T: +91 95352 17029
E: vinayak.iyer@in.ey.com

(earlier available only in old regime), reducing highest surcharge rate etc. Also, new regime is now a default regime which is required to be implemented by employer at withholding tax stage for all the employees. Individuals can opt out of new regime, if beneficial, by way of selection to old regime every year.

Quarterly withholding tax returns (Form 24Q)

Every company withholding tax from salaries is required to file quarterly returns electronically using the prescribed form (Form 24Q) within the following time periods:

- ▶ Quarter ending June: by 31 July
- ▶ Quarter ending September: by 31 October
- ▶ Quarter ending December: by 31 January
- ▶ Quarter ending March: by 31 May

The above dates are subject to change as prescribed by the Central Board of Direct Taxes.

Issuance of withholding tax certificate (Form 16)

Every company withholding tax from payments is required to issue a certificate to the payee, certifying the amount of taxes withheld and deposited into the Government Treasury. These certificates are required to be downloaded by the company from the Government Tax Office website (called TRACES) and should be issued to the employees after verification and signatures. This has to be issued by 15 June every year for the previous financial year (last date is subject to change by way of notification from the Central Board of Direct Taxes).

2. Social security and pension requirements

Registration requirements

Provident fund registration and pension registration.

In accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, this is a registration which covers the provident fund and pension schemes that are social security cum retiral benefits for employees. This registration is mandatory if the company has 20 or more employees (including contract staff). There are different rules for contributions relating to domestic and international workers and the pension scheme also works differently for each of these categories. This registration may be a centralized registration or may be obtained on the basis of branch locations.

Whenever an employee joins a company, a declaration needs to be obtained from the employee using Form 11 to analyze the applicability of pension based on the fact pattern of the employees' employment history.

The provident fund and pension requirements are continually undergoing significant change and further guidance should be sought for the latest position.

Ongoing compliance requirements

Provident and pension funds

The provident fund payments (both employee and employer) need to be contributed at 12% of pay as defined in the Employees' Provident Funds Scheme. This needs to be deposited into the fund by the 15th of every month for the previous month. The employer's contribution is distributed between provident fund and pension fund and withdrawal of this fund is based on certain criteria. The allocation to pension fund is decided based on the employee's declaration in Form 11 and the employee's base wages.

The company will need to generate an Electronic Challan cum Return (ECR) online and subsequently, deposit the contributions into the provident fund account of the employee before the 15th of the subsequent month.

Form IW-1

A statement is required to be filed with details of international workers (IW). A nil statement is required to be mandatorily filed even if there are no IW joiners in the month.

As per the Employees' Provident Funds Scheme, IW is defined as:

- ▶ Indian employee working in a foreign country with which India has entered into a social security agreement and being eligible to obtain the benefits under the social security program of that country under the social security agreement, or
- ▶ Non-Indian employee (who is not holding an India passport), working for an establishment in India to which the Employees' Provident Funds and Miscellaneous Provisions Act applies (excluding those who have obtained a Certificate of Coverage from the social security authorities of their home country with which India has a social security agreement or those who are contributing to a social security program of their home country with whom India has a bilateral comprehensive economic agreement containing a clause on social security prior to 1 Oct 2008)

3. Employment obligations

Employee State Insurance Registration (ESI)

This is a State-specific mandatory health insurance registration for companies with 10 employees or more (including contract staff, if any). Registration sometimes depends on the jurisdiction of the place of work.

If the employee head count is high, the company may attempt to obtain a centralized registration. In case the location does not have a designated Government hospital, the company may be exempted from participating in this contribution at the discretion of the ESI officer.

The contributions are mandatory for employees drawing a salary below a certain threshold limit, as notified by the authorities. The company has to file "nil" returns if no employees fall under this threshold salary limit. The covered employees are issued a card, which covers hospitalization.

The ESI remittance and the returns are due on or before the 15th of the following month.

Profession Tax (PT) registration

This is a State-specific registration and is driven by the law in a particular State for carrying on a profession in that State. Depending on the employee's work location, the company needs to identify whether there is a requirement to register in that place. If there is a requirement (as per the local State laws), the company needs to file the application with the respective State and complete the registration.

Once registered, based on the profession tax rates in the specific State, the company needs to deduct the profession tax and the remittances are done on a monthly basis to the PT office. In some states, it is done on a half-yearly basis.

Below are remittance and filing details for some of the key States (cities):

- ▶ Karnataka (Bangalore): 20th of the following month
- ▶ Andhra Pradesh or Telangana (Hyderabad): 10th of the following month
- ▶ Maharashtra (Mumbai or Pune): end of the following month
- ▶ West Bengal (Kolkata): due date for PT remittance is 21st of the following month, and the due date for PT return filing (annual) is 30 April
- ▶ Tamil Nadu (Chennai): half-yearly – 30 September and 31 March
- ▶ Delhi: not applicable

Shops and Establishment Act and Labour Welfare Fund

These are labor-related registrations; they are not mandatory in all States and have different filing deadlines in each State. This will depend on the employee's work location. Companies may need to register their premises under the Shops and Establishment Act before starting operations in a State.

If the Labour Welfare Fund is applicable, companies and their employees may need to contribute a nominal amount to the Labour Welfare Fund based on the State specific rules.



Below are remittance and filing details for some of the key States (cities):

- ▶ Karnataka (Bangalore): 15 January of the following year
- ▶ Andhra Pradesh or Telangana (Hyderabad): 31 January of the following year
- ▶ Maharashtra (Mumbai or Pune): 15 July and 15 January
- ▶ West Bengal (Kolkata): 15 July and 15 January
- ▶ Tamil Nadu (Chennai): 31 January of the following year
- ▶ Delhi: 15 July and 15 January

There are many other labor related laws like The Maternity Benefit Act, 1961, The Employee Compensation Act, 1923, The Payment Of Bonus Act, 1965, The Equal Remuneration Act, 1976, The Payment Of Gratuity Act, 1972, The Minimum Wages Act, 1948, The Payment Of Wages Act, 1936 etc., under which companies will need to register and comply. However, these labor laws are in the process of being replaced with the New Labour Codes.



New Labour Codes

The Central Government of India is in the process of implementing 4 labor codes in India which will replace/subsume several current central labor laws. These Codes are: The Code on Wages, 2019, Code on Social Security, 2020, the Industrial Relations Code, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020. These codes will come into force when the associated rules are notified by the Central Government. This is still pending.

4. Payroll requirements

A company needs to determine a compensation structure for its employees based on their roles, responsibilities and levels in the organization.

The salary is derived from this compensation structure and has to be paid to the employee after making statutory deductions like income tax, provident fund or pension, and State-specific taxes (Profession Tax, Labour Welfare Fund and Employee State Insurance). Usually, the payment frequency is once a month and the salary payout is pro-rated in case the employee joins during a month or leaves during a month. A monthly pay slip is issued to the employees after salary is credited to their bank accounts. Most companies also provide an annualized tax calculation sheet at the end of each month. Taxes are calculated based on annualized projected income as estimated by the company for the tax year (April to March).

5. Banking requirements related to payroll

Payment is in Indian rupee for all local employees. Any payments to expatriates outside India in any other foreign currency have to follow the requirements of the Foreign Exchange Management Act, 1999 including a requirement to submit several documents to the bank along with certifications, which include the details and nature of payment and the withholding tax details in the income tax website, verified by an independent chartered accountant and attested by the company as well.

Payments are generally transferred via the corporate bank and can be paid via National Electronic Funds Transfer (NEFT) to any of the employee's bank accounts in any bank in India. The banking regulations are governed by the main central bank in India – The Reserve Bank of India.

Indonesia



1. Government requirements

Registration requirements

Tax registration and payroll tax withholding: Companies with employees will have payroll tax withholding tax obligation on the taxable remuneration provided by the employees, including those provided in kind (in the form of tangible goods or facilities). For the remittance and the reporting of the tax withheld, the company would need to have a tax identification (ID) number. Obtaining this tax ID number is one of the requirements for setting up a company. There is no specific tax ID number for payroll tax withholding purposes only.

Company registration for social security: Any company which employs people is required to enroll employees in Indonesia's social security program called Badan Penyelenggara Jaminan Sosial (BPJS). To be able to enroll the employee, the company must register first with BPJS. There are two BPJS, i.e., BPJS Kesehatan (BPJS-Health Care) and BPJS Ketenagakerjaan (BPJS-Worker). The company must register with these two BPJS offices. Certain forms need to be completed and signed by the company's officer for the registration. The documents that need to be attached to the registration form are the company's notarial deed, company's tax ID card and statement of company's domicile.

Ongoing compliance requirements

Monthly payroll tax (Income Tax Article 21 withholding): A company, as employer, has payroll tax obligation on monthly basis. The company is required by law to calculate the tax payable on taxable remuneration provided to its employees and other taxable individuals, withhold the tax payable, remit the tax withheld to the State Treasury and then report the tax withheld on the monthly payroll tax return to the tax office. The form of tax return is Form 1721. The remittance is due by the 10th of the following month and the filing is due by the 20th. The tax rates for tax resident is at progressive rates of 5% to 35% and for nonresident is a flat rate of 20% "subject to tax treaty provisions, when applicable". There is no different tax treatment for local national and expatriate employees. The key is whether the individual is considered as resident or nonresident. There is no annual payroll tax reporting. The December monthly reporting served as annual calculation as the reporting would include the total income during the respective calendar year.

Social security (BPJS obligation): After the company has registered and enrolled its employees in the BPJS program, the company would need to remit and report the total contribution (of employer and employee contributions), to the nominated bank for BPJS contribution payment purposes. The payment of BPJS health care is due by the 10th of the month, the payment of BPJS-Worker is due by the 15th of the following month.

2. Pension requirements

Registration requirements

There is no separate pension registration required. The BPJS-Worker program covers the pension program. Nonetheless, there are companies which also set up other pension programs for their employees, in addition to the mandatory BPJS-Worker program.

EY contact

Nathanael Albert W
T: +62 21 5289 5265
E: nathanael.albert@id.ey.com

Ongoing compliance requirements

Indonesia social security

The social security program in Indonesia is called BPJS. On the basis of the current regulation, it is mandatory for expatriate employees to participate in this program if they work in Indonesia for more than six months.

There are two types: health care or “BPJS Kesehatan” and Worker social security or “BPJS Ketenagakerjaan.” The regulation states that BPJS contributions are made and calculated based on certain percentage of the employee’s wages. Currently the employee’s wages is interpreted as “regular income i.e., salary payments and other fixed monthly allowances” so that irregular income such as bonus or stock option income are not commonly included as the basis for BPJS contribution.

The following table illustrates the percentage of contribution amount.

Program	Contribution amount (%)			
	Employer		Employee	
Social worker benefits (BPJS Ketenagakerjaan)				
Occupational Accident Benefit (JKK)	0.24 to 1.74	(depending on type of industry of the company)	–	
Death Benefits (JKM)	0.3		–	
Old-Age Pension (JHT)	3.7		2.0	
Pension Contribution (JP) (expatriates not mandatory for this program)	2.0	Up to a maximum of IDR191,192 per month	1.0	Up to a maximum of IDR95,596 per month
Health care benefits (BPJS Kesehatan)				
From January 2020 onward	4.0	Up to a maximum of IDR480,000 per month	1.0	Up to a maximum of IDR120,000 per month

3. Employment obligations

There is no mandatory employee insurance program other than the BPJS health care and BPJS worker as mentioned above.

Leave days: An employee under the manpower regulation is entitled to annual leave, minimum 12 working days per year, after the employee continuously worked with the company for 12 months.

Rest hour: The company must give rest hours, a minimum of half hour after working for four hours. The rest time is not considered work hour. The working hours is maximum 40 hours per week (seven hours per day if there are

six working days per week or eight hours per day if there are five working days per week).

Minimum wages: There is a minimum wage, which varies in each province.

Differential treatment for permanent staff/contracted staff: Contract employment is only allowed for certain type of work for a maximum period of five years. There is no probation period for contract employee. If the contract is terminated before the contract period ends, the employer must pay two types of compensation, namely (i) remaining salaries up to the end of the contract (Article 62 of the Manpower Law) and (ii) compensation at the end of the contract (Articles 15 - 17 of GR 35/2021).

4. Payroll requirements

Payroll requirement: There is no specific regulation related to the payment frequency. It would depend on the company policy or as per employment contract.

Salaries can be based on certain time units, namely, hourly, daily or monthly, and the payment frequency thereof can be agreed depending on the company policy or as per employment contract.

Pay slip: There is no requirement for the company to issue pay slip to each employee. However, it is a general and good practice that the company issue pay slip or make it available whenever the employee requests for such slip.

Payment from parent company: It is possible for payroll to remain with the parent company, but it should be properly arranged and certain document should be in place to avoid unnecessary tax exposure.

5. Banking requirements related to payroll

Payment in Indonesian rupiah (IDR): Salary payment made by the company to its employees, including to expatriate employees must be in IDR.

Foreign currency: Foreign exchange from IDR to USD is maximum USD25,000/month/customer if there is no underlying transactions. However, if there is underlying transaction such as repayment of loan, paying school or medical fee outside Indonesia, such limitation does not apply.

Iran



1. Government requirements

Registration requirements

Individual income tax

Taxable persons

Iranian legislation does not contain a concept of tax residence in relation to individuals. Tax is imposed on all payments in cash and in kind, which are received by individuals from sources in Iran for employment exercised within the territory of Iran.

Taxable individuals comprise of the following:

- ▶ All owners of personal and real property located in Iran
- ▶ Every Iranian individual resident in Iran, on all income earned in Iran or abroad
- ▶ Every Iranian individual residing abroad, on all income earned in Iran
- ▶ Every non-Iranian person, with regards to income earned in Iran, as well as in respect of the income derived from Iranian sources for the grant of a license or other rights, for the provision of training and technical assistance, or from the screening rights of motion pictures

Employment income

Both Iranian and expatriate personnel (with a work permit) working in Iran are subject to tax on their employment income. Employees are taxed on their income and allowances declared on the local payroll of the company.

Expatriate employees are also taxed on the total salary and respective allowances for working on their assignments in Iran. Employers of expatriate personnel are required to submit the original employment agreement of each employee to the tax office after having it authenticated by the authorities in the country of domicile of the employee and certified by the nearest Iranian consular office. However, some foreign companies elect for their expatriate employees to be taxed at the deemed salary rates published by the tax office. These rates depend on the rank and the country of citizenship of the individual.

EY contact

Mehdi Ettehadieh
T: +98 21 74681000 (ext.222)
E: mehdi.ettehadieh@eypars.net



All salaries, wages and allowances paid to individuals, subject to certain exemptions listed below, are subject to Personal Income Tax (PIT). The tax applies to salaries and wages paid in cash or in kind.

No expenses are specifically listed as deductible in arriving at income subject to the tax on salaries. The Iranian Direct Tax Act (DTA) does, however, provide for the general

deductibility of two categories of expenditure in arriving at the taxable income of individual taxpayers. These are:

- ▶ Expenses incurred during the tax year on medical treatment of the taxpayer, spouse, children, parents, brothers and sisters
- ▶ Life insurance premiums paid to Iranian insurance institutions

For the taxation year ending on 19 March 2024, a yearly salary income of IRR1,200,000,000 million (or monthly salary income of IRR100 million) for both public and private sector employees is exempt from salary tax. Earnings exceeding the above amount are taxed at progressive rates, as follows:

Annual calculation			Monthly calculation		
Gross	Rate	Tax	Gross	Rate	Tax
Salary (IRR)	%	IRR	Salary (IRR)	%	IRR
1,200,000,000	-	-	100,000,000	-	-
<u>480,000,000</u>	10%	<u>48,000,000</u>	<u>40,000,000</u>	10%	<u>4,000,000</u>
1,680,000,000		48,000,000	140,000,000		4,000,000
<u>1,080,000,000</u>	15%	<u>162,000,000</u>	<u>90,000,000</u>	15%	<u>13,500,000</u>
2,760,000,000		210,000,000	230,000,000		17,500,000
<u>1,320,000,000</u>	20%	<u>264,000,000</u>	<u>110,000,000</u>	20%	<u>22,000,000</u>
4,080,000,000		474,000,000	340,000,000		39,500,000

For annual salaries above IRR4,080,000,000 or monthly salaries above IRR340,000,000, the excess over such amounts will be taxed at 30%.



Exempt income

The following types of income are exempt from tax on salaries:

- ▶ Retirement pension, severance pay or termination benefits, dismissal compensation, pensions and annuities paid to the heirs, service life bonuses, payments for unused vacation days
- ▶ Travelling expense reimbursements and travelling allowances paid in connection with one's job
- ▶ Accommodation provided on the factory's site for the benefit of employees and low-cost housing provided by the employer outside the factory
- ▶ Amounts received under an insurance policy on account of compensation for physical injury or medical treatment and the like
- ▶ New Year bonuses or year-end allowances aggregating one twelfth of the amount of the tax exemption mentioned in Article 84 of the DTA
- ▶ Employer-provided housing put at the disposal of civil servants by virtue of a legal permission or according to special regulations
- ▶ Amounts paid by an employer for the medical treatment of its employees or their dependents, directly or through the employee to the physician or hospital attending the employee, as substantiated by supporting receipts and documents
- ▶ Non-cash benefits paid to employees, not exceeding one sixth of the amount of tax exemption mentioned in Article 84 of the DTA
- ▶ Fifty percent of the employment income of employees working in less developed regions
- ▶ Salaries from a foreign source paid to various government, diplomatic or consular personnel who are not citizens of Iran, subject to reciprocity
- ▶ Salaries of foreign experts posted to Iran by a foreign government or institution under technological, economic, scientific or cultural grants in aid, in respect of the salary they receive from their respective governments or from said international institutions

2. Social security and pension requirements

Registration requirements

Payroll social security contributions

All employees working in Iran should be covered by the employer under the contributory social security scheme of Iran. The social security charge is levied on a maximum ceiling, which is presently IRR12,385,996 per day effective from 1 Farvardin 1402 (21 March 2023) per day for the Iranian fiscal year ending 19 March 2024. In preparing monthly payrolls, the number of days of the month (per the Iranian calendar) must be considered for the calculation of social security premium. The monthly

ceilings are IRR383,965,876 for 31-day Iranian calendar months (months one to six), IRR359,193,884 for 30-day Iranian calendar months (months seven to 11), and IRR282,829,750 for the last Iranian calendar month which has 29 days. The employee's contribution is 7%, and the employer's share is 23% for Iranian employees and 20% for expatriate employees.

Iran has a Pay-As-You-Earn (PAYE) system for the payment of payroll social security contributions. Employers should file a monthly payroll list with the Social Security Organization (SSO). Applicable social security contributions (both employee's and employer's shares) should be paid to the SSO with the monthly payroll list.

There are fines (for the employer) for not paying or late payment of social security contributions, and for not filing payroll lists. Employers must choose Iranian calendar months for salary social security filing and payment purposes.

The deadline for paying social security contributions and filing the payroll list with the SSO is the end of the Iranian month following the month in which salaries are paid, or salary expense is booked. Iranian months end on the 19th, 20th, 21st, or 22nd of Gregorian months.

Expatriate personnel might be exempted from the Iranian social security charge if they can prove to the SSO that they are insured under a similar scheme in their country of domicile. In order for a foreign employee to be exempt from Iranian social security, the employee must provide a certificate from his or her home country which states that he or she is covered under a similar scheme with the same coverage as required by the Iranian Social Security Law. The certificate must also be endorsed by the relevant Iranian Consular Office. The coverage must include accidents, sickness, pregnancy, wage compensation, disability, retirement, and death.

In general, the SSO is quite strict in granting exemptions, and, in any case, if an exemption is granted, a compulsory accident insurance (premium is 3% of salary and fringe benefits - no ceiling - and is deductible from the employee's pay) must be paid instead.

Two-sevenths of the employee's share of the social security contribution is deductible from the taxable income of the employee.

Tax returns and compliance

Iran has a PAYE system for the payment of salary tax. Employers should file a monthly payroll list with the Tax Office. Employers can choose either Iranian or Gregorian calendar months for salary payment. However, for salary tax payment and filing, Iranian calendar months must be used. As such, it is recommended that Iranian calendar months be used for salary payment as well. Applicable salary tax should be paid to the Tax Office with the monthly

payroll list. There is no requirement to file individual tax returns in Iran with respect to the employment income.

Pension requirements

Per local Social Security law, the following individuals can benefit from pension:

- ▶ A man to have reached the age of 60, and a woman to have reached 55 years of age having paid at least SSO premium for 20 years prior to requesting requirement.

Note 1: Any individual who has worked full-time for 30 years and has paid the SSO premium for the term served, can apply for a retirement pension (if the man is 50 years old and the woman is 45 years old).

Note 2: Insured individuals with 35 years of service and full SSO premium pay history can apply for retirement claim regardless of their age.

Note 3: Female employees can retire with 20 days of salary on a condition that they have 20 years of service and 42 years of age and have paid their SSO premiums fully.

3. Employment obligations

Employment contract

Employment contracts are required to be in writing with two copies maintained in Farsi. The employer and employee each keep one copy of the employment contract which must include certain information as specified in the Labor Law.

Working hours

As per the Labor Law, employees should not work more than 44 hours over a six-day (eight hours on five days, and four hours on the sixth day) working week. It is common practice that private sector employees work five days a week, usually Saturday to Wednesday.

Annual leave

According to the Labor Law, each employee is entitled to receive 30 vacation days which includes four Fridays (but excludes other holidays). If a company has two weekend days (for example, foreign companies and embassies usually have Friday and Saturday as their weekend), the employee shall be entitled to receive 22 vacation days which are working days. The employee therefore accrues vacation days starting from the first day of employment at the rate of 1.83 days per month. Furthermore, according to the Labor Law, an employee can carry over maximum nine days of leave from one year to the next; however, this is cumulative. That is, if an employee has worked 10 years for a company and is in his or her 11th year of employment, the employee could potentially have carried over 90 days of leave. If this employee has more than 90 days, say, 120 days, unused leave and is being terminated, the company may compensate the employee for the 120 days. However,

according to the Law, the company has to compensate the employee for 90 days unused leave only.

Public holidays

Every employee is entitled to full pay for official holidays designated by the government. If employees are required to work during official holidays, they are entitled to overtime (paid at 1.4 times their normal rate). The weekly days off and the official holidays shall not be counted as part of the annual leave.

Sick leave

Each employee is entitled to three sick leave days per month. That is, the employer is only obliged to pay for three days of sick leave per month to an employee. Therefore, if an employee is sick for up to three days in a payroll month, he or she will receive the full month's salary for that month. It is at the employer's discretion to require that the employee present a doctor's letter.

If an employee exceeds three days of sick leave in a payroll month, the employee can then approach the relevant SSO office to request to be compensated for the days of sick leave exceeding three days.

The employee must go to the SSO office and present the doctor's letter that indicates the number of days the employee was sick. The SSO has its own formula for calculating how much to pay to the employee (there are certain deductions including the social security premium). The employee will not receive the full sick days' salary; the amount is less (approximately two-third of the full amount). However, what the employee receives is not subject to tax. The employee's employment record with respect to social security will remain intact.

The social security law is silent with respect to how many days sick leave the SSO shall pay an employee. Usually up to one month does not require any investigation by the SSO. However, if the employee remains sick and is not able to go to work for a longer period, a special committee within the SSO reviews the case and, based on evidence submitted, decides whether it will continue to pay the employee or not.

Performing pilgrimage

Every employee shall have the right to benefit from one month of privilege vacation or vacation without pay for performing the obligatory Hajj pilgrimage only once during the entire period of his or her work.

Maternity leave and paternity leave

The Council of Ministers has approved the extension of maternity leave from six months to nine months, effective 12 May 2021. Previously, the period of maternity leave for which the SSO pays the employee was six months. Maternity leave can start as early as three months before the date the baby is due. Paternity leave is currently three days.

The employer does not pay anything to the employee during her maternity leave; the SSO does. As soon as the pregnant employee presents a letter from the doctor to her employer, mentioning the employee must go on leave, the employer shall take her out of the payroll. After nine months, when she is back from her leave, she must take all the documents that the SSO requires to the relevant SSO office and receive her salary for that period. At the same time, she may resume work and be on the employer's payroll.

The amount she shall receive from the SSO is approximately two-thirds of her normal monthly salary (up to the SSO ceiling) and shall not be taxable. The employee may agree on a special arrangement with the SSO to receive a monthly amount on-account. At the end of nine months, the on-account amounts shall be deducted from what the SSO is going to pay her.

Mission or assignment allowance

According to the Iranian Labor law, any employee who by contract or subsequent agreement is assigned to a mission away from the workplace shall be entitled to an assignment allowance. This allowance shall not be less than the fixed daily wage or basic wage of the employee. Furthermore, the employer shall be required to provide transport or to cover travel costs. This arrangement shall apply when the employee must travel 50 kilometers or more from his or her principal workplace in order to discharge his or her duties, or where the employee must spend at least one night at the place of assignment. Even when an employee travels outside the 50-kilometre radius of his or her place of work for not the full day, the employee is entitled to receive a full day mission pay for that day. Mission pay is exempt from salary tax.

Allowances and fringe benefits

The following allowances and fringe benefits must be provided by employers to employees in the Iranian year 1402 (Iranian calendar year commencing on 21 March 2023 and ending 19 March 2024):

- ▶ A monthly housing allowance of IRR9,000,000 is payable to every employee
- ▶ Monthly child allowance payable to any employee with children is IRR5,308,284 per child per month
- ▶ Monthly employer's contribution for the purchase of employees' subsidized vouchers of essential consumable goods: IRR11,000,000 for both married and unmarried employees

- ▶ At the end of each Iranian calendar year, each employee is entitled to receive an end-of-the-year bonus, the amount being the lower of two months (60 days) salary or 90 days minimum daily wage (currently IRR1,769,428) prorated for the number of days worked in that Iranian calendar year

The above allowances should be added to the employee's base salary and are subject to salary tax.

Annual increment

Employees are entitled to an annual salary increase the percentage of which is announced by the government on an annual basis. The minimum mandatory annual increase in the Iranian year 1402 (effective 21 March 2023) was 21% plus a flat IRR83,569 per day provided that the daily wage does not fall below the minimum daily wage of IRR1,769,428. In addition, a daily annuity of IRR70,000 is also payable to those employees who have worked one year (i.e., for the whole of Iranian year 1401) for their current employer.

Overtime pay

The overtime premiums for normal pay overtime worked during daylight, as well as weekends and holidays is 40% of basic salary.

Bonuses

The only mandatory bonus in Iran is the New Year's (Norooz) bonus. According to a directive issued by the Ministry of Labor and Social Affairs, Norooz bonus is payable on the basis of 60 days (two months) of last salary, provided that the amounts paid in this respect do not exceed 90 days minimum wage. Accordingly, the maximum compulsory amount of Norooz bonus for Iranian year 1402 (ending 19 March 2024) is IRR159,248,520 and the minimum compulsory amount is IRR106,165,680. For employees with less than one full year of employment, the above limits will be observed pro rata.

Although employers can voluntarily pay bonuses in excess of the above limits, it should be noted that since Norooz bonus is legally exempt from payroll social security, any amount paid in excess of the limits may be subject to payroll social security by the SSO.

New Year bonuses or year-end allowances aggregating one twelfth of the amount of the tax exemption mentioned in Article 84 of the DTA are exempt from tax.

Minimum wage

The minimum wage in year 1402 is IRR1,769,428 per day.

Termination of employment

The employment agreement may be terminated in any of the following cases:

- a. Death of employee
- b. Retirement of employee
- c. Total disability of employee
- d. Expiry of duration of definite employment agreements and their non-renewal explicitly or implicitly
- e. Completion of work in the contracts for specific task.
- f. Resignation of employee

Note 1: Any employee tendering his or her resignation shall be obligated to remain on the job for one month, and to initially notify the employer of the resignation in writing. Should an employee notify the employer of his or her intention to withdraw his or her earlier resignation in writing within a period of 15 days, such resignation shall be deemed to be void, and the employee shall be required to submit copies of the resignation letter and the subsequent letter withdrawing his or her earlier decision to the Islamic Council of the workshop or the guild Society or the employees' representative.

Upon completion of work, all claims arising out of the employment agreement and the period of employment in the above cases shall be paid to the employee, and in the event of his or her death, to his or her legal heirs.

Note 2: So long as the heirs are not legally known and administrative procedures, have not been carried out, the SSO, shall be under the obligation to pay on account, the salary of the deceased to his or her dependent family members for a period of three months at the rate of the last salary.

In terms of receipt of salary or pension arising out of death, sickness, retirement, unemployment, suspension, total or partial disability or protective regulations and conditions relating to them, the employees shall be covered by the SSO.

In the event of termination of the agreement, completion of definite works or expiry of definite agreements, the employer shall be required to pay to an employee who has worked on the job for one year or in excess of it under an agreement, an amount equivalent to one-month salary for each year of continuous or alternate service at the rate of the last salary as severance benefits.

In cases where an employment agreement has been concluded for a definite period or for performance of a specific work, neither party may cancel it unilaterally.

Note 3: Disputes arising out of such employments shall be decided by the fact-finding board and dispute settlement board.

Probation period

The parties may, through mutual agreement, determine a period as probation period. In the course of this period, either party shall have the right to terminate the agreement without prior notice and without any obligation to indemnify damages. Should the work relationship be terminated by the employer, the employer would be under the obligation to pay the salary for the whole probation period. If such a move is taken by the employee, he or she shall be entitled to collect salary only for the period of performance of work.

Note: The duration of the probation period must be stated in the employment agreement. This period shall not exceed one month in case of unskilled and semi-skilled employees, and three months in case of skilled employees possessing high level specialization.

End of service benefit

The Labor Law states that when an employee retires, resigns, or is let go, the company must pay at least one-month latest salary for every year the employee has been employed by the company as severance pay. For a partial year, the severance pay is prorated. The Labor Law does not put any cap on what can be paid as severance pay.

Severance pay is exempt from salary tax. However, the Tax Law is silent on the maximum amount of severance pay that is exempt from salary tax. As such, the taxation of severance pay may be dealt with differently by the tax authorities.

4. Payroll requirements

Generally, there are no specific regulations with regards to payroll in Iran. However, the minimum requirements as per the Iranian Labor Law as well as Social Security Law need to be adhered to. This means that salary/wages must be paid at least monthly, unless otherwise agreed as per the employment contract (in case daily or hourly arrangements are stipulated) and every employee needs to be covered under the contributory social security scheme (refer to Section 2 for further details).

5. Banking requirements related to payroll

Generally, there are no specific regulations with regards to payroll and banking in Iran. However, the following need to be adhered to:

- ▶ Payments for salary/wages need to be made to a designated bank account of the respective employee.
- ▶ As part of the monthly payroll process, bank letters are drafted outlining the amount of salary or wages, the name(s) of the respective employee(s) and the designated bank account(s). Based on the same, the bank of the employer is instructed to transfer the respective payments to the designated bank account(s).
- ▶ Due to current banking restrictions in light of sanctions against Iran, overseas payments are currently not feasible and difficult to facilitate. Hence, for the payment of salary and wages, Iranian banking systems are used.

Iraq



1. Government requirements

Registration requirements

In order to legally carry out work in Iraq or the semi-autonomous Kurdistan Region of Iraq (KRI), it is a requirement under Iraq's companies' law that a company must be registered with the Iraqi Ministry of Trade or the Kurdistan Regional Government's Ministry of Trade, depending on the jurisdiction where work is being carried out.

Tax registration

Companies registered in Iraq or the KRI (including branches) are required to register with the Iraqi General Commission for Taxes or the KRI's General Directorate for Taxation (depending on where the legal registration of the company is made) for tax filing, reporting and payment purposes. Upon successful registration, the company will obtain a single Tax Identification Number (TIN) for all types of taxes administered by the General Commission for Taxes or the General Directorate for Taxation, including corporate income tax and employee income tax.

Ongoing compliance requirements

Employee income tax

Iraqi nationals and foreigners working in Iraq (including the KRI) are subject to tax on their income derived from Iraq (including the KRI). In addition, Iraqi nationals are subject to tax on income earned from all sources (Iraqi and foreign-sourced income). The General Commission for Taxes and the General Directorate of Taxation do not currently require each employee to be registered with the tax authority or to have a unique TIN for employee income tax filing and payment purposes as the obligation falls on the employer.

In Iraq, as per Iraq's Income Tax Law No. 113 of 1982 (as amended), the employer is the party responsible for deducting the employee income tax from its employees' salaries and wages, filing the periodic returns, and remitting the deductions to the General Commission for Taxes.

The periodic returns include the monthly withholding declaration, the annual employee income tax return (form D/4A), and the annual summary schedule.

The employee income tax is levied on the taxable income according to the following scale:

Annual taxable income		
From IQD	To IQD	Rate %
0	250,000	3
250,001	500,000	5
500,001	1,000,000	10
1,000,001	No upper limit	15

The payment of the employee income tax liability has to be made in Iraqi dinars via wire transfer or a certified check issued to the benefit of the Direct Deductions Department or the Large Taxpayers Department at the General Commission for Taxes (depending on the classification of the taxpayer) as per

EY contacts

Jacob Rabie

T: +962 6 5800 778
E: jacob.rabie@jo.ey.com

Ali Samara

T: +962 6 5800 771
E: ali.samara@iq.ey.com

Mustafa Abbas

T: +964 783 5410 902
E: mustafa.abbas@iq.ey.com

Abdulkarim Maraqa

T: +964 783 5415 014
E: abdulkarim.maraqa@iq.ey.com

the current method of payment acceptable to the Iraqi governmental authorities.

The filing and payment of the monthly employee income tax liability is due by the 15th day of the month which follows the month of the deduction.

The annual employee income tax return (D/4A form) for each employee, along with the annual employee summary sheet, should be filed with the General Commission for Taxes by 31 March each year.

In the KRI, as per Iraq's Income Tax Law No. 113 of 1982 (as amended and applied in the KRI), the employer is the party responsible for deducting the employee income tax from its employees' salaries and wages, filing the periodic returns, and remitting the deductions to the General Directorate of Taxation.

The periodic returns include the quarterly personal income tax return and the annual schedule of employees.

The employee income tax is levied on the taxable income at a flat rate of 5%.

The payment of the employee income tax liability has to be made in Iraqi dinars via cash or cashier's check issued to the benefit of the Income Tax Directorate or the Large Taxpayers Directorate at the General Directorate of Taxation (depending on the classification of the taxpayer) as per the current method of payment acceptable to the KRI governmental authorities.

The filing and payment of the quarterly employee income tax liability is due by the 21st day of the month which follows the end of the calendar quarter.

The annual schedule of employees should be filed with the General Directorate of Taxation by 28 February of each year.

2. Pension requirements

Registration requirements

Social security

All companies registered in Iraq and the KRI are required to register their employees (Iraqis and non-Iraqis) with the Department of Retirement and Social Security (DRSS) in Iraq or the General Directorate of Labor and Social Insurance in the KRI for social security filing, reporting and payment purposes. Upon successful registration, each employee of the company will be issued a social security number. In Iraq, a key requirement in order to be able to

register employees for social security purposes is for the company's employment to be made up of at least 50% Iraqi nationals (this requirement is not currently applicable in the KRI). The company should also ensure that its non-Iraqi employees have valid work permits.

Ongoing compliance requirements

Social security

According to Social Security Law No. 18 of 2023 (as amended), employees (Iraqis and non-Iraqis) should pay into social security. The general rates of social security for Iraqis are 12% for employers, 5% for employees and 8% for the government. For non-Iraqis, the general service rates of social security are 20% for employers and 5% for employees. For oil and gas companies, the rates for social security contributions for Iraqis are 25% for employers and 5% for employees. For non-Iraqis working in oil and gas companies, the rates for social security contributions are 33% for employers and 5% for employees. As of December 2023, the maximum monthly salary subject to social security as per the minimum wage is IQD1,750,000. An exemption from Iraqi social security may be available to non-Iraqis working in Iraq and the KRI, after obtaining the authorities' approval.

It is the responsibility of the employer to withhold the social security contributions from the employees' income for each month of the fiscal year and file a monthly contributions form to the DRSS. An annual social security filing must also be made by the employer.

The payment of social security has to be made in Iraqi dinars via wire transfer or a certified check issued to the benefit of the DRSS, as per the current method of payment acceptable to the Iraqi governmental authorities, or via cash or a cashier's check issued to the General Directorate of Labor and Social Insurance, as per the current method of payment acceptable to KRI government authorities.

The monthly social security contributions and filings are due by the 30th day of the month which follows the month of the deduction. Whereas the annual social security forms are due before the end of February of each year.

3. Employment obligations

Iraq's labor regulations are governed by the Labor Law No. 37 of 2015 (the "Labor Law"). The provisions of this law apply to all workers (Iraqis and non-Iraqis) employed in the private sector.

The contract of employment largely determines the terms and conditions of employment. When drafting an employment contract, an employer must comply with the requirements set out in the Labor Law, guaranteeing certain employee rights and benefits. The Labor Law includes a number of requirements to which an employer must adhere when dealing employees e.g., Arabic must be used in all employment relationships, including contracts and other related documents.

Annual leave

Employees are entitled to annual leave after a period of one full year of employment. The annual holiday is 21 days per year and is increased by two days for every five years of employment with the same employer up to 10 years, and three days for every five years after the first 10 years of service with the same employer. According to Article 79 of the Labor Law, any agreement to waive or abandon the annual holiday, in whole or in part, for compensation or other advantage, is null and void.

Sick leave

Sick leave is 30 days per year based on a valid medical report.

Maternity leave

Maternity leave is 14 weeks.

Marriage leave

Marriage leave is five weeks.

Bereavement leave

Bereavement leave is five days.

Pilgrimage leave

Employees are entitled to an unpaid pilgrimage leave once during the period of their service.

Unpaid leave

When necessary, the employer may grant the employee, upon request, unpaid leave.

4. Payroll requirements

According to the Labor Law, an employer is required to maintain a wage and overtime register that includes all details of its employees' wages, wage deductions, and net wages paid. The wage register is subject to verification and inspection by an Iraqi Ministry of Labor inspector.

5. Banking requirements related to payroll

All companies in Iraq and the KRI are required to open a bank account with a bank authorized in Iraq and the KRI in order to make their payments due to the government authorities. Wages are to be paid in Iraqi dinars, unless otherwise stated in the employment contract. Wages may be paid by checks, bank transfers, payment orders, or cash.

Payment of the employee income tax liability and social security contribution has to be made in Iraqi dinars via wire transfer or a certified check issued to the benefit of the relevant government authority, as per the current method of payment acceptable to the Iraqi governmental authorities.

In the KRI, a cashier's check or a cash payment are the accepted methods of payment.

Ireland



1. Government requirements

Registration requirements

Employer registration with the Irish Revenue Commissioners

Any employer who makes payments exceeding EUR8 per week for a full-time employee, or EUR2 per week for an employee with other employment, must register for Pay-As-You-Earn (PAYE) purposes with the Irish Revenue Commissioners. An employer is also required to notify Revenue of their name and address and of the fact that they are making such payments within a period of nine days after the date of commencement of payment to employees. A company must register as an employer and operate PAYE on the income of directors even if there are no other employees. If you are a director of an Irish incorporated company, you must pay tax (PAYE) on your income as a director. This is the case regardless of residency status of where the work duties are performed. You do not need to register as an employer if you have a domestic employee and you:

- ▶ Pay them less than EUR40 per week
- ▶ Have only one such employee

To register for PAYE or Pay Related Social Insurance (PRSI), the paper-based methods are as follows:

- ▶ Form TR1 must be completed for an individual, sole trader or partnership
- ▶ Form TR1 (FT) must be completed for a nonresident individual, sole trader or partnership
- ▶ Form TR2 must be completed for a company
- ▶ Form TR2 (FT) must be completed for nonresident traders
- ▶ Form PREM Reg must be completed by employers that are already registered for income tax or Corporation tax

The payroll registration should be in place before the first employee commences.

Hiring an employee

Someone who has never worked in the state before

When an employee commences employment for the first time, they should register for "myAccount" on the ROS website, then register their new job by clicking on the "Jobs and Pensions" section in "myAccount". A Tax Credit Certificate will then be made available to their new employer to allow the employer to make the correct tax deductions from the employee's pay.

Someone who has worked in the state before

If the employee has already worked in Ireland, then their previous employer will notify Revenue that the employee has left by including their leave date on the final payroll submission. The new employer will notify Revenue that the employee has commenced working with them through their payroll process. The employee can however also follow the same steps as a first-time worker and register their new job on the "Jobs and Pensions" section in "myAccount".

Ongoing compliance requirements

Income tax and employer's PAYE

Employees are taxed through payroll in Ireland. The most common form of income tax is PAYE deducted by employers from employee's pay. The amount per employee is determined by Revenue who provide a certificate of tax rates and cut-off points. PAYE, PRSI and Universal Social Charge (USC) are deducted from the employee's earnings. The amount deducted will vary between each

EY contacts

Michael Johnson
T: +35387 2822786
E: michael.johnson@ie.ey.com

Lynn Merlehan
T: +21 4937695
E: lynn.merlehan@ie.ey.com

Stephen McDermott
T: 353 21 480 2817
E: stephen.mcdermott1@ie.ey.com

individual as earnings and personal circumstances will dictate the amount being deducted.

PAYE

PAYE is calculated at 20% and 40% of earnings depending on earnings throughout the year. Personal circumstances will determine how much tax will be paid.

Pay Related Social Insurance (PRSI)

PRSI rates have a number of different classes and the amount of PRSI to be paid will be determined by which PRSI class an employee is assigned to. The most common class is Class A, which means the employee will pay 4% and the employer will pay 11.05% of earnings.

Universal Social Charges (USC)

The amount of USC deducted from an employee will also be determined by the employee's earnings and the employee's personal circumstances. The rates vary between 0.5% and 8%.

Revenue Payroll Notification (RPN)

The RPN provides the employer with the necessary information to deduct from their employees the correct income tax (PAYE), Universal Social Charge (USC) and Local Property Tax (LPT). It shows tax credits, PAYE and USC cut-off points, any previous pay, tax and USC deducted from 1 January (unless the certificate is on a week one or month one basis), PAYE and USC exemptions, the amount of LPT to be deducted (if applicable). The employer's payroll software will retrieve the relevant RPNs from Revenue as part of the normal payroll process. If the employer does not use a payroll package, they can request the RPN through ROS. An employer must always use the most up to date RPNs when calculating employees' pay and deductions. If an employer is unable to retrieve an RPN, they must operate the emergency tax basis on their employee's pay.

Payroll submissions

On or before an employer makes a payment to their employees, they must report the payroll information to the Irish Revenue Commissioners. Each payroll submission must include the amount of pay, payment date and amount of income tax, USC, PRSI and Local Property Tax deducted for each employee. Revenue will issue the employer with a monthly statement based on their submissions. This will be issued by the fifth day of the following month and will show a summary of the total liability. Once the monthly statement is available, the employer has the option to view the statement, accept the statement, and/or amend the payroll submission (if errors are identified). If the employer takes no action, then the statement is automatically deemed as their return by the 14th of the following month. The employer can pay the liability on the Revenue website, through ROS. The liability must be paid by the 23rd of

the following month for ROS users or by the 14th of the following month for employers not using ROS.

2. Pension requirements

Registration requirements

A pension scheme is a method of saving for retirement and is considered a long-term investment. There are three main types of pension schemes available:

- ▶ Company pension schemes (occupational pension scheme)
- ▶ Personal retirement savings accounts (PRSAs)
- ▶ Personal pension plans (retirement annuity contracts)

A pension scheme, regardless of the type, must receive Revenue approval in order to qualify for the various tax benefits associated with pensions such as tax relief on pension contributions or a tax-free lump sum on retirement. In addition, an occupational pension scheme and a PRSA must be approved by the Pensions Authority.

A company pension scheme, also known as a superannuation scheme or an occupational pension scheme, is a pension scheme set up by an employer on behalf of employees. Currently, an employer is not obliged to set up a company pension scheme for their employees. Where one is provided, contributions may be made by both the employer and the employee. The level of contributions depends on the particular scheme and is usually stated in the employee's terms of employment. A company pension scheme can be a defined benefit scheme, a defined contribution scheme or a hybrid scheme.

Employees may wish to make additional contributions to the pension scheme over and above the normal regular amount required by the rules of the pension scheme, and which are outlined in the employee's terms of employment. The mechanism for making such contributions is by way of additional voluntary contributions (AVCs).

Employers, regardless of the size of the workforce, who do not provide a company pension scheme for their employees, or where some employees are excluded from the company scheme, are obliged to enter into a contract with a PRSA provider to provide access for such excluded employees to at least one standard PRSA.

Where an employee makes contributions, including AVCs to the employer's pension scheme or PRSA, the employer is only permitted to allow tax relief up to the maximum age-related limits. Any contributions in excess of the age-related limit should be deducted from the employee's net pay as this does not qualify for tax relief. This generally only happens where an employee makes AVC contributions to the pension scheme. However, tax relief for any excess contributions, while not allowable in the year in which they are paid, are not lost. The employee can approach Revenue after the year end to claim relief for any excess contributions to be carried forward to a future year.

Ongoing compliance requirements

If the company decides to provide a pension scheme for employees, it will be collected or deducted through the employee's payroll. The company needs to agree with the employee and also the pension provider the percentage of contributions. The employee and employer contributions will be paid over to the pension provider. Regardless of the type of pension scheme, employers must pay over the contributions to the administrator of the scheme by the 21st of the month after the month in which they were deducted. Employers must notify employees in writing, at least once per month, of the total amount deducted from the employee's salary and the amount of the employer contribution, if any, paid to the pension trustees in the preceding month.

3. Employment obligations

Contracts and terms of employment

Anyone who works for an employer for a regular wage or salary automatically has a contract of employment. Although the complete contract does not have to be in writing, an employee must be given a written statement of terms of employment.

An employee must receive a written statement of five core terms within five days of starting work, as set out in the Employment (Miscellaneous Provisions) Act 2018. This Act applies since 4 March 2019. Employers face serious penalties if they do not comply. The core terms that must be provided are:

- a. The full names of the employer and employee
- b. The address of the employer
- c. The expected duration of the contract (where the contract is temporary or fixed term)
- d. The rate or method of calculating pay and the pay reference period for the purposes of the National Minimum Wage Act 2000 (for example, a week, a fortnight or a month)
- e. What the employer reasonably expects the normal length of your working day and week to be, in a normal working day and in a normal working week

An employee must receive a written statement of the remaining terms of employment within two months of starting work, in accordance with the Terms of Employment (Information) Acts 1994-2014. However, this requirement does not apply if the employee has been employed for less than a month. This must include:

- a. The place of work
- b. The title of the job or the nature of the work
- c. The date the employment started
- d. Pay intervals (for example, weekly or monthly)
- e. Any terms or conditions relating to hours of work (including overtime)
- f. Paid leave (other than sick leave), including annual leave and public holiday entitlement

- g. Sick pay
- h. Pension and pension schemes
- i. Period of notice to be given by employer or employee
- j. Details of any collective agreements that may affect the terms of employment

The statement of terms must indicate the reference period that an employer uses to calculate an employee's entitlements under the National Minimum Wage Act 2000. (Under that Act, the employer may calculate the minimum wage entitlement over a reference period of between a minimum of one week and a maximum of one month).

The employer must sign and date the statement of terms, but there is no requirement for the employee to sign it.

The employer must keep a copy during the period of the employment and for at least a year after it ends.

Changes to the contract of employment can occur due to a change in the law, but otherwise, changes must be agreed between the employer and employee.

Rates of pay

From 1 January 2023, the national minimum wage is EUR11.30 per hour. Wage rates are solely based on age.

- ▶ Aged 20+: EUR11.30
- ▶ Aged 19: EUR10.17
- ▶ Aged 18: EUR9.04
- ▶ Ages under 18: EUR7.91

Hours of work, breaks and rest periods

Employers are responsible for ensuring that employees are given adequate rest. The Organization of Working Time Act 1997 sets the rules governing maximum working hours (the maximum average working week for many employees cannot exceed 48 hours), daily and weekly rest breaks. The general rule on breaks is that employees are entitled to 15 minutes after a four-and-a-half-hour work period. If the employee works more than six hours, they are entitled to 30 minutes, which can include the first 15-minute break. Special rules apply to shop employees who work more than six hours and whose hours of work include the period 11.30 a.m. - 2.30 p.m. These employees are entitled to a one-hour consecutive break which must occur between 11.30 a.m. - 2.30 p.m.

Employees are entitled to 11 consecutive hours of rest in any period of 24 hours. In addition, employees should get 24 consecutive hours of rest in any period of seven days, and this should normally follow on from one of the 11-hour rest periods already mentioned. As an alternative, the employer can give two 24-hour rest periods in a week if it follows a week, in which the employee did not get any 24-hour rest periods. Unless the contract states otherwise, the 24-hour rest period above should include a Sunday.

The working hours of young people under the age of 18 are regulated by the Protection of Young Persons (Employment) Act 1996.

The provisions of the Organisation of Working Time Act 1997 on breaks and rest periods do not apply to:

- ▶ The Gardai
- ▶ Defence Forces
- ▶ Employees who control their own working hours
- ▶ Family employees on farms or in private homes

In the following situations, employers can be exempted from providing rest periods:

- ▶ Exceptional circumstances: for example, if it is not possible to provide rest periods due to exceptional circumstances or an emergency
- ▶ Collective agreement: rest periods can be changed if there is a collective agreement to vary them. These changes must be approved by the Labour Court or if there is an Employment Regulation Order or Registered Employment Agreement
- ▶ Shift work: in certain circumstances, for example, people working split shifts or changing shifts

These exemptions are allowed provided the employee is given equivalent compensatory rest. This means that if a rest period is postponed, the employee must be allowed to take it within a reasonable period of time. The Workplace Relations Commission has a Code of Practice on Compensatory Rest Periods. However, the regulations governing those employed in transport activities (SI 20/1998) and in certain categories of civil protection services (SI 52/1998) exempt them from the provisions on statutory rest breaks and periods but do not require them to have equivalent compensatory rest.

There are special regulations governing working time of fishermen (S.I. No. 441/2020).

Leave

An employee's entitlement to annual leave or holidays from work is set out in legislation and in the contract of employment. Legislation gives various entitlements to leave from work. These include annual leave, public holidays, maternity leave, paternity leave, adoptive leave, carer's leave, parental leave and other types of leave from work. It is also important to note that the periods of leave provided for by legislation are the minimum entitlements only, the employee and employer may agree to additional entitlements. In the case of agency employees, the party who pays the wages (employment agency or client company) is the employer for the purposes of the Organisation of Working Time Act 1997 and is responsible for providing the entitlement.

The Act provides for a basic annual paid leave entitlement of four weeks, although an employee's contract could give greater rights. Part-time workers' entitlement is generally calculated as 8% of the hours worked, subject to a maximum of four working weeks per leave year.

It is for the employee and employer to decide when annual leave may be taken, but this is subject to a number of conditions. The employer must take into account the employees' family responsibilities, opportunities for rest and recreation that are available to them and to consult with the employee (or their union) at least one month before the leave is to be taken. In addition, annual leave should be taken within the appropriate leave year or with the employees' consent, within six months of the relevant leave year. Further holding over (also known as carrying-over) of annual leave at an employee's wish is a matter for agreement between the employee and employer.

Pay in respect of annual leave is paid in advance at the normal weekly rate. If the pay varies because, for example, of commission or bonus payments, the pay for holidays is the average of the employee's pay over the 13 weeks before the employee takes holidays.

Failure to pay all or part of the wages due to an employee is considered an unlawful deduction and a complaint can be made under the Payment of Wages Act.

Deductions

The Payment of Wages Act 1991 refers to situations where deductions are made from pay or the employee needs to make a payment to the employer.

The following deductions from an employee's pay by the employer are allowed when:

- ▶ They are required by law, for example, PAYE, USC PRSI
- ▶ They are provided for in the contract of employment, for example occupational pension contributions
- ▶ They are made with the employee's written consent, for example, trade union subscriptions
- ▶ They are to recover an overpayment of wages or expenses
- ▶ They are required by a court order, for example, an attachment of earnings order in a family law case
- ▶ They arise because the employee is on strike

If the employer suffers loss because something is the fault of an employee, for example breakages or till shortages deductions from the pay may be allowed. Deductions may also be allowed if the employer supplies a service as part of the job, for example, a uniform. In these cases, a deduction (or payment by the employee) is only allowed if:

- ▶ It is allowed for in the contract
- ▶ It is fair and reasonable
- ▶ The employee has received a written notice of the deduction - a full week's notice if the deduction arises from an employee's mistake
- ▶ The amount of the deduction does not exceed the loss or cost of the service
- ▶ The deduction takes place within six months of the loss or cost occurring

4. Payroll requirements

Pay slips

The Payment of Wages Act, 1991, gives all employees a right to a pay slip, which will show the gross wage and details of all deductions. A pay slip is essentially a statement in writing from the employer to the employee that outlines the total pay before tax and all details of any deductions. It can be provided either in electronic format or in hard copy.

5. Banking requirements related to payroll

Payroll payments can be made by one or a combination of:

- ▶ Check or bank draft drawn on any of the commercial banks or a Trustee Savings Bank
- ▶ A payable order issued by a Minister of the Government or a public authority
- ▶ A postal order, money order, paying order or warrant issued by, or drawn on, An Post
- ▶ A credit transfer to an account specified by an employee
- ▶ Cash



EY contacts

Giuseppe Mauri

T: +39 02 806693902

E: giuseppe.mauri@it.ey.com

Ilaria Agazzi

T: +39 02 80669834

E: ilaria.agazzi@it.ey.com

Mauro Cremonesi

T: +39 02 722129297

E: mauro.cremonesi@it.ey.com

Federica Barbieri

T: +39 02 806681

E: federica.babieri@it.ey.com

Manuela Maria Daidone

T: +39 02 722129425

E: manuela.maria.daidone@it.ey.com

Abraham Denis Muggeo

T: +39 02 722122318

E: abraham.denis.muggeo@it.ey.com

Davide Bassi

T: +39 02 722122090

E: davide.bassi@it.ey.com

1. Government requirements

Registration requirements

Registration with the Chamber of Commerce and Tax Office

From a general point of view, all companies that want to supply services, sales, trading, manufacturing and so on are obliged to register with the Chamber of Commerce and obtain a VAT number to be able to start a business.

The VAT number allows the company to be identified to the national authorities and for the payment of taxes to the Tax Office, and social security contributions to the social security authority – “Istituto Nazionale della Previdenza Sociale” (INPS).

Failure to register or the registration after the start of business results in the payment of penalties.

Registration with the social security authority – INPS

All companies that want to hire employees must register with the social security authority (INPS) to obtain a registration number which will allow the Institute to identify the company when it pays employees' social security contributions.

Depending on the sector classification of the company (trade, services, industry, etc.) and based on the type of employees (white or blue collars, executives, expatriates, etc.), specific contribution tables with different rates are provided. Registration must be carried out immediately after hiring the first employee.

Registration with the Labor Office (Centro per l'Impiego)

All companies that want to hire employees must register with the Labor Office (Centro per l'Impiego) to obtain a username and password that will allow them to submit employee hiring and termination notifications.

Mandatory hiring and termination notifications

Notifications about new hires must be submitted electronically, through the Labor Office portal, by the day before the beginning of the employment at the latest.

Notification of contract terminations must be submitted electronically, through the Labor Office portal, within five days of the end of the employment.

In both cases, late notification will be subject to penalties.

Mandatory insurance against workplace injuries with the National Institute for Insurance against Accidents at Work (INAIL)

Before beginning work activities with employees, all companies must register with INAIL to obtain a registration number which will allow the Institute to identify the company, and a specific number to identify each workplace located in Italian territory.

A specific risk classification and a contribution rate (in the range of 0.4% up to 9% of the gross salary) is attributed to the company on the basis of the type of activity performed by the employees.

The annual balance (related to the previous year) and advance payment of premium (related to the following year) is made in January. The premium (balance and advance) is computed on the basis of the salaries paid during the previous year.

Failure to register or late registration and late payment of premiums results in the payment of penalties.

Ongoing compliance requirements

Payment of withholding taxes and annual income certification

Employees, collaborators and any personnel who receive a pay slip are required to pay their income taxes to the tax authority (Agenzia delle Entrate) on a monthly basis. The income taxes are calculated and withheld through the monthly payroll process. The tax rate varies according to the level of income between 23% and 43% of the taxable amount. In addition to the above mentioned income taxes, the employee is due also the regional and municipal taxes that are calculated according to the employee's fiscal domicile.

The employer can provide to the employees benefit in kinds (e.g., company car, gifts). The benefit in kinds has a tax-free limit up to Euro 258.23 per year

Limited to the 2023 tax period, the tax exemption limit established by the Consolidated Income Tax Act is increased to €3,000 to the employees with tax dependent children, including those recognized and born out of wedlock, adopted or foster children.

The increased limit shall apply if the employee declares to be entitled to it by indicating the tax code of the children.

Employers has to inform the trade unions representatives where present, for the application of this major favor treatment.

The employer, acting as withholding tax agent, makes the payment, through the F24 form (an electronic form), by the 16th of the month following the month to which the taxes make reference.

At the end of the fiscal year, or earlier in the event of termination of the employment, the employer is required to calculate the balance of taxes on the basis of the actual income paid to the employee.

The balance takes place in December and the employer, through the pay slip, calculates the taxes actually due by the employee, and retains those due or refunds those overpaid during the year. By 16 March of the following year, the employer issues a document called "Certificazione Unica" (CU) where the income paid to the employee, the taxes and contributions withheld, the benefits in kind provided and the "Trattamento di Fine Rapporto" (severance indemnity) related to the previous fiscal year are reported. The employer does not act as a withholding agent for other personal income of the employee. The late

payment of taxes results in the payment of interest and penalties.

Annual statement of tax withheld from employees

Every year, companies that act as withholding tax agents are required to submit the so called 770 form. The 770 form is the document that the withholding tax agents, who liaise on behalf of the taxpayer with the tax authority, must submit electronically to the tax authority, usually by the end of October of the following year. The form contains information about tax withheld and paid on behalf of employees and may also include self-employed workers. Failure to submit or late submission of the statement results in the payment of penalties.

Payment of monthly social security contributions

Companies, employees or collaborators, and any personnel who receive a pay slip, are required to pay, at varying rates, contributions to the INPS on a monthly basis. The social security contributions due by employees are calculated and withheld through the monthly payroll process. The employer, through the F24 form (an electronic form), pays its part of contributions and the part deducted to employees. The payment has to be made by the 16th of the month following the month to which the taxes make reference.

The social security contributions due by employees are about 10% of their gross salary; the social security contributions due by the employer range from approximately 27% to 31%. Late payment of social contributions results in the payment of interest and penalties.

To determinate the correct contribution rate and the correct employee's pension scheme, it is necessary that the employee declares to the company, with a specific self-declaration form, the seniority pension scheme based on the date when the first contribution has been paid in relation of the whole professional life.

If the first contribution is before 31 December 1995, the pension scheme is called *Retributivo* and the employee and employer pay contribution for all the social security income.

If the first contribution is after 1 January 1996, the pension scheme is called *Contributivo* and the employee pays contribution up to an annual threshold released yearly by the social security institute. The company, over the threshold, pays only minimum contribution (approximately from 2.73% up to 5.85%).



2. Pension requirements

Registration requirements

Registration with an integrative health fund

The health funds are the instrument provided by the Italian Law in order to ensure a second level of healthcare as a supplement to the national health system. They can be “open”, accessible to all employees, or “closed”, reserved only to employees hired with a specific National Collective Labor Agreement (NCLA).

Registration with the “closed” health funds (for companies or employees) is regulated by the NCLA and these funds are made applicable to employees. Specific funds are available on the basis of the type of NCLA (trade, industry, bank, etc.) and the employee’s position (blue or white collar executive).

Registration with an integrative pension fund

The pension funds are the instrument (belonging to the so called private pension system) provided by the Italian Law in order to guarantee to employees a supplementary

pension, in addition to the national mandatory pension. They can be “open”, accessible by all employees, or “closed”, reserved only to employees hired with a specific NCLA.

Registration with the “closed” pension funds (for companies or employees) is regulated by the NCLA in force. Specific funds are available on the basis of the NCLA (trade, industry, bank, etc.) and the employee’s position (blue or white collar executive).

Ongoing compliance requirements

Payment of contributions to integrative health funds

Companies and employees registered to integrative health funds are required to pay contributions to the fund at varying rates. The contributions due by employees are calculated and deducted through the monthly payroll process. The employer pays its part of contributions and the part deducted from employees using the method established by each fund (usually a bank transfer). The



payment can be monthly, quarterly or annual (depending on fund regulation).

Payment of contributions to integrative pension funds

Companies and employees registered to integrative pension funds are required to pay contributions to the fund at varying rates. The contributions due by employees are calculated and deducted through the monthly payroll process. The employer pays its part of contributions and the part deducted from employees using the method established by each fund (usually a bank transfer). The payment can be monthly or quarterly (depending on the fund regulation).

3. Employment obligations

Minimum salaries

The NCLAs establish the minimum salaries for employees on the basis of their rank (executives, managers, white collar, blue collar, apprentices, etc.). The NCLAs also

establish the periodic salary increases (generally once per year) and employers are obliged to pay employees this increase.

In addition to the minimum wages, employers may provide a part of salary exceeding the minimum established by the NCLA. On the basis of the agreement with the employee, such an additional amount, called "superminimo", can be absorbable (it can be reduced when the mandatory minimum salary increases occur) or not absorbable (it cannot be reduced when the mandatory minimum salary increases occur).

"Trattamento di Fine Rapporto" (TFR) - severance indemnity

Trattamento di Fine Rapporto (TFR) is an amount accrued on a monthly basis and paid to the employee at the end of their employment. The TFR is calculated on the recurring elements paid to the employee, and it is about 7% of the gross salary and any other item (bonus, etc.) or fringe benefit (company car, etc.) provided to the employee.

The TFR is calculated and accrued by the company and paid out to the employee when they leave the company. In specific circumstances established by the Labor Law, the employee may request an advance of the TFR up to 80% of the accrued amount.

Since 2007, employees have been able to decide whether to keep the TFR in the company or transfer it to an integrative pension fund. If the latter, the employer is required to transfer (on a monthly or quarterly basis) the accrued TFR to the pension fund chosen by the employee.

National Collective Labor Agreement (NCLA)

Leave days, paid permission hours, sick leave, rest hours, overtime and seniority increases, etc., are managed by the NCLAs. Each NCLA contains specific provisions that regulate each specific part of the employment.

Mandatory hiring of disabled people

Companies with more than 15 employees are obliged to hire one disabled person as soon as they have hired their 15th employee.

The number of disabled people to be hired depends on the total number of employees. Please see the below criteria:

- ▶ One disabled person for companies with 15-35 employees
- ▶ Two disabled people for companies with 36-50 employees
- ▶ Disabled people should make up 7% of the workforce for companies with more than 50 employees

Gender equality report (Rapporto Biennale Parità Uomo-Donna)

The public and private company with more than 50 employees must fill, every two years, a report to declare some data related to the situation of male and female employees. The report needs to be submitted every two years. The deadline is 30 April after the second year (e.g., report for the period 2020/2021 needs to be submitted within 30 April 2022).

Declaration of regular contributive position (DURC)

The companies have to require the certificate with which declare the regular position on behalf of the national institutes to obtain the eligibility to subsidies, financial aid but also to declare the regular position necessary in case of contracts with the public or private sector.

4. Payroll requirements

The payroll for employees is processed on a monthly basis and employees receive a pay slip every month.

The annual gross salary is payable through 13 or 14 monthly instalments depending on the provisions of the NCLA applied to employees. The 13th is paid in December and the 14th is paid in June.

The company policy sets out the day of the month in which the employees should receive the net salary. The most common date is the 27th of the month.

Pay slips

Certain employees, for example, collaborators, administrators or specific roles not classifiable as employees, may receive quarterly, biannual (every six months) or annual pay slips. In such cases, the terms of payment are agreed in advance between the parties.

All employees and collaborators must be provided with pay slips on the same working day as the pay day. Pay slips can be provided in electronic form.

5. Banking requirements related to payroll

Net salary can be paid in Euro by one or a combination of the following methods:

- ▶ Check, money order or postal order, payable to the employee
- ▶ Electronic funds transfer (i.e., EFT or bank transfer)

The most common way to pay the net salary is by bank transfer.

To pay the taxes and social security an Italian bank account is required.

A bank linked with the Revenue Agency's service called Entratel is preferred. The list of banks can be found at the website below:

<https://agenziaentrate.gov.it/portale/web/guest/schede/pagamenti/f24/elenco-banche-convenzionate-f24/elenco-banche-f24-xcodice>

Jamaica

J



1. Government requirements

Registration requirements

Tax Registration Number (TRN)

In accordance with the Income Tax Act, companies that will be conducting business within Jamaica are required to register with the Tax Administration Jamaica (TAJ) to obtain a Tax Registration Number (TRN). Companies can visit the TAJ website (www.jamaicatax.gov.jm) to apply for the TRN online. To complete the application, companies should log in to TAJ's Web Portal, select the "Apply for a TRN" option under the e-services home page, and follow the instructions thereafter.

National Insurance Scheme (NIS) number

In accordance with the National Insurance Act, companies that will be conducting business within Jamaica are required to register with the Ministry of Labour and Social Security to obtain a National Insurance Scheme (NIS) number. Companies should download the employer registration application form from the Ministry of Labour and Social Security's website at <https://mlss.gov.jm/departments/national-insurance-scheme>, and follow the instructions that are provided on the website.

The TRN and NIS numbers are required by companies for the filing of payroll tax returns and for other business that they need to conduct with Tax Administration Jamaica.

There are no application fees for the TRN and NIS numbers.

Ongoing compliance requirements

Employers are required to submit online an Employer's Monthly Remittance (Form S01) and an Employer's Annual Return (Form S02) for deductions relating to the following tax types for all employees.

- ▶ Pay-As-You-Earn (PAYE)
- ▶ National Housing Trust (NHT)
- ▶ National Insurance (NIS)
- ▶ Education Tax (Ed. Tax)
- ▶ Human Employment and Resource Training (HEART)

Payment arrangements for payroll taxes are done monthly either online or directly at a tax office. There are no additional payment requirements that are associated with the online filing of the Form S02. However, the employer is required to make payment arrangements monthly at the time when they file the Forms S01 online. Where at the time of filing the Form S02, it is noted that there is an underpayment of tax, the employer should settle the shortfall promptly.

Pay-As-You-Earn (PAYE)

PAYE (Income Tax) is payable at the following rates, based on the Income Tax Act.

Annual statutory income	Tax rate
Up to JMD1,500,096 (applicable to Jamaican residents)	0%
Above JMD1,500,096 and up to JMD6,000,000	25%
Above JMD6,000,000	30%

EY contacts

Juliette Brown
T: 1876 969 9000
E: juliette.brown@jm.ey.com

Paula Deer Martin
T: 1876 969 9000
E: paula.deer@jm.ey.com



National Housing Trust (NHT)

NHT contributions are payable at the rate of 3% of gross taxable emoluments for the employer and 2% of gross taxable emoluments for the employee, based on the NHT Act.

National Insurance (NIS)

NIS contributions are payable at the rate of 3% of gross taxable emoluments for the employer and 3% of gross taxable emoluments for the employee, based on a maximum insurable wage ceiling of JMD5,000,000 per annum with effect from 1 April 2022. The wage ceiling was JMD3,000,000 per annum up to 31 March 2022.

Education Tax (Ed. Tax)

Ed. Tax contributions are payable at rates of 3.5% of statutory income for the employer and 2.25% of statutory income for the employee, based on the Ed. Tax Act.

Human Employment and Resource Training (HEART)

HEART contributions are payable at a rate of 3% of gross taxable emoluments only by the employer based on the HEART Act. Similar tax rates apply for both local and foreign employees. There are income tax exemptions for certain employees e.g., diplomats, pensioners, etc.

Similar tax rates apply for both local and foreign employees. There are income tax exemptions for certain employees e.g., diplomats, pensioners, etc.

2. Pension requirements

Registration requirements

The Income Tax Act states that ordinary annual contributions to an approved superannuation fund (approved by Tax Administration Jamaica) are generally tax deductible in computing an individual's taxable income, subject to the following:

- ▶ The employee's contribution shall not exceed 10% of annual remuneration.
- ▶ The employer's contribution with respect to an employee shall not exceed 10% of the employee's remuneration.
- ▶ Where the employer contributes less than 10% of the employee's remuneration, the employee may contribute the difference between the employer's actual contribution and the maximum contribution payable by the employer.

Ongoing compliance requirements

Refer to comments above.

3. Employment obligations

This information would have to be obtained from an expert (such as an attorney) who advises about labor law in Jamaica.

4. Payroll requirements

The Income Tax Act requires monthly and annual tax reporting via the PAYE system.

Employers are required to keep records of payments and deductions either on a tax deduction card or in another form (e.g., payroll register) as may be authorized. On the last day of each year, employers should provide each employee with a certificate showing their gross emoluments and the tax deducted for that year. Pay slips should also be provided to employees weekly, monthly or bi-monthly whenever payment occurs.

5. Banking requirements

Employers can pay employees by check, cash or bank transfer.

The payment requirements and restrictions may vary, depending on the financial institution.

Japan

J



1. Government requirements

Registration requirements

Tax notifications required when establishing a company

Under payroll system in Japan, income tax, inhabitant tax and social insurance premium are withheld at the time the salary is paid. The details and procedures are provided below.

When establishing a company, the following notifications related to payroll calculations must be filed with the tax authorities.

- a. Tax office
 - ▶ Notification of Establishment/Relocation/Closure of a salary-paying office must be submitted within one month of establishment (Income Tax Act 230).
 - ▶ Application for Approval Made in Relation to the Special Provision for Due Dates for Withholding Income Tax needs to be submitted by the last day of the month before the company intends to implement the special withholding timing. By filing this application, a company may pay withholding tax semi-annually rather than on a monthly basis. This can only be applied if there are always less than 10 people receiving salaries (Income Tax Act 216, 217, 218).
- b. Municipalities in which employees are residents
 - ▶ Notification of Transfer of Salaried Workers for Special Collection must be submitted promptly to the municipality where employees reside (Local Tax Act 321).

Ongoing compliance requirements

Withholding income tax

The withholding income tax is categorized as national tax which is different from inhabitant tax.

All types of income earned by an individual are taxable and this is not limited to salary and bonuses, remuneration fees paid to professional services, interests and dividends, capital gains etc. from stock, and other relative income. The payer of the various earnings made to the individuals has the responsibility to calculate and withhold income tax and pay to the tax office.

For residents, withholding tax calculation will differ among income type. Withholding income tax calculation for salaries and bonuses paid by company to employees adopts the progressive taxation system and the tax rate range from 5% to 45% plus 2.1% of calculated income tax as special income tax for reconstruction.

It is required for the employees to submit Declaration of exemption for dependent form to the company by the day before receiving the first salary of the year in order to apply the lower tax rate (Ko-ran) and treat the special deductions such as dependents, and disability. The company must keep the form and submit to the tax office upon the request.

The tax should be withheld at the same time as the taxable payment is made to the employee and the withheld tax payment is due on 10th of the following month of occurrence of taxable payment. (Income Tax Act 9, 36, 89, 183, 185, 186, 194)

EY contacts

Tsuyoshi Okamoto
T: +81 80 9075 3695
E: tsuyoshi.okamoto@jp.ey.com

Yasuyo Horikoshi
T: +81 70 7515 5245
E: yasuyo.horikoshi@jp.ey.com

Retirement allowance

Withholding tax calculation for retirement allowance differs from the one for salary/bonuses. With submission of the application concerning receipt of retirement income form from the employee, the retirement income for non-specified officer is calculated as follows:

(Amount of earnings from general retirement allowance - Deduction for retirement income) \times 1/2

From April 2022, over three million yen retirement income paid to non-specified officer who worked less than five years is not multiplied by 1/2.

In case of specified officer, the same formula applies except for not multiplying by 1/2.

It is required for the employee receiving the retirement allowance to submit the application concerning receipt of retirement income form in order to apply the progressive withholding income tax rate from 5% to 45% plus 2.1% of calculated income tax as special income tax for reconstruction. If it is not submitted, a flat 20.42% (including special income tax for reconstruction) will apply.

The tax should be withheld at the same time as the taxable payment is made to the employee and the withheld tax payment is due on 10th of the following month of occurrence of taxable payment. (Income Tax Act 30, 201, 202, 203)

Withholding income tax for nonresidents

The scope of income and the amount to be withheld will differ among resident and nonresident in Japan. Individuals will be determined as residents if they have a domicile in Japan or reside in Japan continuously for one year or more. For expatriates on assignment, if the period in the assignment letter is over one year, they will become residents immediately. If the assignment period is less than one year, they will be treated as nonresidents but if the actual period of residency in Japan reaches one full year, they will become residents.

For nonresidents, a flat rate of 20% for income tax plus special income tax for reconstruction which is 2.1% income tax withheld, totaling to 20.42% will apply.

If expatriates being regarded as residents are paid in both home country and Japan, withholding income tax is eligible for payments made through Japan payroll. There is no obligation to withhold tax for payments made outside Japan and therefore unless concluded necessary, in general shadow payroll is not required in Japan. The income received in home country should be reported in the tax return filing and tax be paid based on the report.

But if the expatriates are nonresidents and payer has address or branch office (PE) in Japan, the payment made outside Japan is subject to withholding tax.

(Income Tax Act 161, 212, 213)

Inhabitant Tax

Individuals will be eligible to pay inhabitant tax if they had taxable income in the previous year and continue to be resident of Japan as of 1 January. If the individual was employed to a company as of 31 December and year-end tax adjustment had been performed to their income, the company will send the information (salary payment report) to the resident municipal office. Based on this information, inhabitant tax amount will be calculated by the resident municipal office and provided to the company. (It is approximately 10% of the total taxable income). The company will arrange to deduct the instructed amount and pay to the municipal offices. The payment is due on 10th of the following month of the deduction. If the individual happens to leave the company, the municipal office will send notification and payment forms directly to the individual. (Local Tax Act 321-3,4,5)

Issuing a certificate of annual income and withholding taxes

- a. When paying salaries to employees in Japan, the company must prepare two copies of the annual income and withholding tax forms for each employee and submit one copy to the tax office by 31 January of the following year; the employee retains the other copy (Income Tax Act 226).
- b. When making a retirement allowance payment in Japan to employees, the company must prepare two withholding tax slips for each employee and submit one to the tax office within one month of the employee leaving the company and one to the employee (Income Tax Act 226).

Implementing year-end adjustment

At the end of the year, the employer should perform year-end tax adjustment to employees whose salary for the year is JPY20 million or less by collecting declarations from employees and recalculate tax amount of the year based on the employee's annual taxable income and declarations. The differentials should be reimbursed or additionally collected and finalize the amount in the final payroll month i.e., December. The adjustment results (annual withholding tax report) should also be reported to the tax office and finalize the annual payment in the December payroll payment. The tax payment is due on 10 January and the report is due on 31 January. (Income Tax Act 190)

2. Pension requirements

Registration requirements

Subscribing to social security

- a. Health insurance, nursing care insurance and employee pension
Employees who fulfill certain requirements must subscribe to employee health insurance, nursing care insurance (employees from 40 to 64 years old) and the employee pension plan. Example of requirements: Full-time employees are required to enroll in health, nursing care and employee pension plans. Part-time employees are required to join these plans where, in principle, the part-time employee's working hours per week and working days per month are at least 75% of those of normal full-time employees (Health Insurance Law 3, Long-Term Care Insurance Law 9, Employees' Pension Law 9, 12, etc.).
- b. Employment insurance
Employees who fulfill certain requirements must enroll in employment insurance. Examples of requirements: employees expected to be employed continuously for at least 31 days, or work more than 20 hours of work per week (Employment Insurance Act 4, 6)
- c. Employees' compensation insurance
Employees employed by an office, must be insured for employees' compensation (Industrial Accident Compensation Insurance Act 1, 3).

Social security notifications required when establishing a company

All offices of a company which continuously employ employees must subscribe to social security. The following reports or notifications must be submitted to the following Authorities by the company when establishing a company and hiring employees.

- a. Health Insurance Association and Pension Office
 - ▶ Report on establishment and employment for health and pension insurance must be submitted with a certified copy of company registration within five days of establishment
 - ▶ Report on new employment must be submitted within five days of the employment (Health Insurance Act 3,48 /Pension Insurance Act 6,27)
- b. Public Employment Security Office
 - ▶ Report on establishment and employment for employment insurance must be submitted with a copy of report on establishment of a labor insurance relationship and a certified copy of company registration within 10 days of establishment.
 - ▶ Report on new employment must be submitted by 10th of following month of the employee joining the company (Employment Insurance Act 5, 7)





- c. Labor Standards Inspection Office
 - ▶ Report on establishment of a labor insurance relationship must be submitted with a certified copy of company registration within 10 days from the first date an employee joins the company (Act on the Collection, etc. of Insurance Premiums of Labor Insurance Act 4)
 - ▶ Labor Insurance Estimated Premiums Declaration must be submitted within 50 days from the first date the employee joins the company (continued business) (Act on the Collection, etc. of Insurance Premiums of Labor Insurance,15)

Ongoing compliance requirements

Employee pension and health insurance standard compensation

When an employee joins a company, the company must conduct procedures for them to subscribe to the employee pension plan and health insurance.

The standard monthly compensation amount which forms the basis of social security premiums is determined according to compensation on joining the company, and provided there is no significant change subsequently; social security premiums are deducted from the monthly salary for one year based on the same standard monthly compensation amount. (Health Insurance Act 40, Employees' Pension Insurance Act 20)

For employee pension, contribution rates are 18.3% of each insured employee's standard monthly remuneration (maximum: JPY650,000) and standard bonus (maximum: 1.5 million yen). For health insurance, contribution rate for those under 39 years is 10% of each insured employee's standard monthly remuneration (maximum: 1.39 million yen) and standard bonus (maximum: 5.73 million yen per year). For those from 40 to 64 years, the rate is 11.82%.

The rate above is given by the Japan Health Insurance Association Tokyo branch. The rate differs among each prefecture of Japan Health Insurance Association and other private health insurance association that the company is enrolled. The contribution is equally covered by both insured employee and employer.

Employee pension and health insurance changes

If there is a change in fixed wages and consequently there is over two grades changes after three months payroll, companies must report the change in the standard monthly compensation by submitting a report on occasional revision of standard remuneration. (Health Insurance Act 43, Employees' Pension Insurance Act 23)

Employee pension and health insurance regular revisions

It is necessary to submit a report on annual revision of standard remuneration for insured persons by 10 July each year. In the calculation basis notification, the standard monthly compensation amount is calculated on the basis of the average compensation amount from April to June; a new standard monthly compensation amount is applied from September's insurance premiums. (Health Insurance Act 41, Employees' Pension Insurance Act 21)

Payment of employee pension and health insurance

The company pays the insurance premiums, received from employees plus the company's own portion to the pension office, etc., by the end of each following month. (Health Insurance Act 164, Employees' Pension Insurance Act 83)

Employment insurance

When paying compensation each month, the company deducts employment insurance calculated at a certain rate to be paid on behalf of the employee. The contributions are calculated by applying a percentage to the total amount of wage payment. The rate is 1.55% total (employer's portion: 0.95% and employee's portion: 0.6%). The rate may be revised every April. The year for calculation of employment insurance is from 1 April to 31 March of the following year. Between 1 June and 10 July each year, the insurance premium amount is calculated based on the total wages in the previous insurance year. The company declares and pays the insurance premiums received from employees together with the insurance premiums payable by the company by 10 July each year. (Act on the Collection, etc. of Insurance Premiums of Labor Insurance 15,19)

Expatriates with Social Security Agreement

Japan has concluded social security agreement with 22 countries and signed the agreement with one country as of June 2022. In case that the expatriates on a temporary assignment to Japan from the countries with effective agreement are insured under the social security of their home country, they shall be exempted from enrolling to the Japanese social security system. The exemption based on the agreement differs among the countries.

The company should show the Certificate of Coverage upon request by the government.

Workers' compensation insurance premiums

Employees do not pay premiums for accident insurance. The contribution fee should be 100% covered by the employer, and it is calculated by applying a percentage to the total amount of wage payment. The rate depends on the type of business; from 0.25% to 8.8% (*effective

as of April 2023). The rate may be revised every April. The employees' compensation calculation period is from 1 April to 31 March the following year. Between 1 June and 10 July each year, the insurance premium amount is calculated on the basis of the total wages in the previous insurance year. The company declares with a submission of Labor Finalized and Estimate of following year Insurance Premium Declaration Form and pays the insurance premiums payable by the company by 10 July each year. (Act on the Collection, etc. of Insurance Premiums of Labor Insurance 15,19)

Social security premiums on bonuses

Social security premiums on bonuses are calculated separately from the insurance premiums on salaries. The company must submit a bonus payment notification to the pension office and the health insurance association.

3. Employment obligations

Employment law

There are many laws governing employment relationship. Among them, the Employment Contract Act (ECA) and the Labor Standards Act (LSA) are fundamental regulations. A serious violation of the LSA may result in criminal sanctions.

Governing authority

The Ministry of Health, Labor and Welfare is the main governing authority of employment laws. Within the Ministry, the Prefectural Labor Bureaus fulfill the duties of regionally based general labor administration agencies. Also, the Labor Standards Inspection Offices provide supervisory oversight to ensure that companies fully comply with LSA working condition regulations and standards.

Minimum wages

Wages to be paid for working hours must meet or exceed the minimum wage requirements provided under the Minimum Wages Act.

Minimum wages mean either:

- a. The minimum wages stipulated by each region; or
- b. The minimum wages stipulated by each industry.

Working hours and rest time

In principle, LSA 32 states that working hours shall not exceed eight hours per day and 40 hours per week, excluding rest time. And in accordance with LSA 34, an employer shall provide employees with at least 45 minutes of rest time during working hours when working hours exceed six hours, and at least one hour when working hours

exceed eight hours. For an employer to have employees work overtime, LSA 36 states that the employer is required to:

- a. Enter into a labor-management agreement with the workers' representative and file the same with the relevant Labor Standards Inspection Office; and
- b. Pay statutory increased wages for overtime work. The rate of increase for work in excess of statutory working hours is 25% and for late night work between 22:00 to 5:00 is 25%. In case of overtime working hours exceeding 60 hours in one month, the rate for the hours in excess of those 60 hours is no less than 50%.

Days off

An employer must provide employees with at least one day off per week (LSA 35). Alternatively, an employer may provide employees with four days off or more during a four-week period. In order for an employer to have employees work on such days off, the employer is required to (1) enter into a labor management agreement (LSA 36) with the employees' representative and file the same with the relevant Labor Standards Inspection Office, and (2) pay statutory increased wages for work on days off. The rate of increase for work on statutory days off is 35%.

Annual paid leave

LSA 39 provides minimum standards for employees' annual paid leave. Under the LSA, annual paid leave accrues automatically if an employee has been employed continuously for at least six months and has reported to work on at least 80% of the total working days. The number of days of annual paid leave gradually increases according to the employee's years of employment (from 10 days upon six months completion to 20 days upon completion of six years and six months). For part-time workers, pro-rated number of days of annual paid leave must be granted.

Dismissal

Generally, there is no concept of "at will" employment in Japan where an employer may terminate the employment contracts of regular employees at any time without cause. Rather, it is generally very difficult for any employer in Japan to unilaterally terminate an employment contract. The default position is that a dismissal by an employer is deemed by law to be an abuse of the employer's authority and therefore null and void if the dismissal lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms.

However, if the employers have decided to dismiss an employee with a good and acceptable reason from social perspective, they must notify the dismissal 30 days prior to dismissal date or pay 30 days' worth of wages to the employee. Whichever way, the employer is required to guarantee 30 days wages payment.

Differential treatment for fixed-term or part-time employees

Under the LCA, if the working conditions of a fixed-term employment contract worker is different from those of a non-fixed-term contract, such a difference must not be unreasonable. Factors considered include:

- a. The duties of the employees and the extent of responsibility accompanying the said duties
- b. The extent of changes in the duties and work locations
- c. Other circumstances

Similarly, the Act on Improvement, etc. of Employment Management for Part-Time Workers prohibits discriminatory treatment against part-time workers that undertake the same work as ordinary employees (typically full-time employees)

Working conditions

When hiring an employee, the employer shall prepare an employment agreement. The agreement should be prepared for each individual even if their conditions are the same. There are no obligations to prepare a written contract (though it is highly recommended), the employer must notify the working conditions listed below in writing. (LSA 15)

- a. Labor contract period
- b. The conditions for renewal (if the contract period is fixed)
- c. Workplace and job description
- d. Working hours (including starting and finishing time, whether overtime work is required, break hours, holidays and leave)
- e. Wages (including how it is decided, calculation and payment method, cutoff date and payday)
- f. Retirement and dismissal policy (including all grounds of dismissal)
- g. Wage raise policy
- h. Scope of change in workplace and job description (effective 1 April 2024)
- i. Upper limit of total contract period and number of contract renewal (only for fixed-term employment, effective 1 April 2024)
- j. Right to apply for conversion to indefinite term status and working conditions after conversion (only for fixed-term employment, effective 1 April 2024)

If the company includes conditions not meeting the minimal standards defined in the law, the condition will be invalid and will be overridden by the minimal standard.

Rules of employment

When the company continuously employ 10 or more employees, they are obliged to prepare rules of employment and submit to the local Labor Standards Inspection Office. Upon submission, the company shall attach document describing comments or opinions of the employees' representative. Full agreement is not required from the employees' representative but by attaching the document, this will prove that the rule has been shared and acknowledged by the employees. If any amendments are made to the rules, the amended rules of employment shall be submitted. (LSA 89, 90)

The following are mandatory items under the rules of employment:

- a. Working hours (including starting and finishing time, break hours, holidays and leave)
- b. Wages (including how it is decided, calculation and payment method, cutoff date and payday, wage raise)
- c. Retirement and dismissal policy (including all grounds of dismissal)

The employer is obliged to disclose the rules of employment and made accessible to all employees.

4. Payroll requirements

Basic rules for paying wages

- a. Currency payment rule
 - ▶ No payment in kind
Wages must be paid in currency. Payment in kind is forbidden. However, if there are separate rules in law or labor agreements, payment other than currency may be permitted.
 - ▶ Remittance of wages to a savings account
With the employee's consent, wages may be remitted by bank transfer and paid into savings or deposit account at a bank or other financial institution or into a securities account under the employee's name. Digital salary payments into an account at a fund transfer service provider are partially permitted (effective 1 April 2023).

- b. Full amount payment rule
Wages must be paid in full without deductions. However, in the following cases, deductions may be made from wages:
 - ▶ Where there are separate stipulations in the law, such as withholding tax, social security, and other deductions
 - ▶ Where a labor-management agreement has been concluded with the employee representative, expenses for company accommodation, payment for purchased items, etc.
 - ▶ When labor was not provided due to absence, late arrival or early departure, or when wages had been paid in advance
- c. Once a month rule
Wages must be paid at least once a month (twice a month or once a week is also possible)
- d. Fixed payment date rule
A wage payment date must be fixed and specified.
- e. Direct payment rule
 - ▶ Wages must be paid directly to the employee
 - ▶ Wages must not be paid via another person or to a representative of the employee
 - ▶ Even for minors, a guardian cannot receive wages on behalf of the employee

5. Banking requirements related to payroll

There is no particular law, but payment of taxes and social security premiums must be made via a Japanese financial institution (Bank of Japan revenue agency).

Jordan

J



1. Government requirements

Registration requirements

Jordan's labor regulations are governed by Labour Law No. 8 of 1996 (the Labour Law). The provisions of this law apply to all workers (Jordanians and non-Jordanians).

The contract of employment largely determines the terms and conditions of employment. When drafting an employment contract, an employer must comply with the requirements set out in the Labour Law, guaranteeing certain employee rights and benefits. The Labour Law includes a number of requirements to which an employer must adhere when dealing with its employees.

Tax registration

Companies registered in Jordan are required to register with the Income and Sales Tax Department (ISTD) and obtain a Tax Identification Number (TIN). The TIN is required to withhold and settle taxes.

Jordanians and non-Jordanians working in Jordan are subject to tax in Jordan on their income earned in, or derived from, Jordan, from day one. The ISTD requires each employee with taxable income to be registered with the tax authority and to obtain a unique TIN.

Ongoing compliance requirements

Employee income tax

Under Jordan's Income Tax Law No. 34 of 2014 (as amended), the employer is responsible for deducting the employee income tax from its employees' salaries and wages, filing the periodic returns, and remitting the deductions to the ISTD. If employees working in Jordan are liable to Jordanian employee income tax.

The periodic returns include the monthly withholding declaration (AR/2 form) and the annual summary schedule. The employee, on the other hand, is responsible for submitting to the ISTD his or her annual employee income tax return (AR/3 form).

The monthly employee income tax return must be filed with, and payment must be made to, the Income and Sales Tax Department within 30 days from the month of the deduction.

The annual employee tax return (AR/3 form) filing and payment is due by 30 April each year.

The employee income tax is levied according to the following scale and based on their taxable income:

From JOD	To JOD	Rate %
–	5,000	5
5,001	10,000	10
10,001	15,000	15
15,001	20,000	20
20,001	1 million	25

EY contacts

Ali Samara

T: +962 777 282 283

E: ali.samara@iq.ey.com

Jacob Rabie

T: +962 6 5800 778

E: jacob.rabie@jo.ey.com

Abdullah Al-Husban

T: +962 6 5907 594

E: abdullah.al-husban@jo.ey.com



In addition, and in accordance with the Income Tax Law, the following annual personal exemptions are available to residents of Jordan effective as of 1 January 2020:

- ▶ Single deduction: JOD9,000
- ▶ Dependents/spouse deduction: JOD9,000

Additional exemptions for medical expenses, education expenses, rent, home loans, interest/Murabaha, technical services, engineering services and legal services include:

- ▶ JOD1,000 for the individual
- ▶ JOD1,000 for the spouse
- ▶ JOD1,000 for each child up to JOD3,000

Additionally, a national contribution tax of 1% is imposed on the annual taxable income of natural persons exceeding JOD200,000.

The payment of the employee income tax liability must be made electronically through any of the Jordanian Bank online payment portal such as, but not limited to, eFAWATEERcom online portal which is owned by the Central Bank of Jordan in Jordanian dinars to the ISTD.

Tax-exemption under Article (4) A of the Income Tax Law

Usually, the computation of an employee's end-of-service benefits is primarily based on the length of their service in the company prior to their termination. As per Article 4, Paragraph (13) of the Income Tax Law, the tax treatment of the end-of-service benefit paid to an employee upon termination of service is as follows:

- a. End-of-service benefit in respect of services provided before 31 December 2009: 100% is tax exempt.
- b. End-of-service benefit in respect of services provided between 1 January 2010 and 31 December 2014: 50% is tax-exempt, and 50% is taxable at 9%.
- c. End-of-service benefit in respect of services provided from 1 January 2015 onwards: 100% of the first JOD15,000 is tax-exempt, and the remaining amount is taxable at 9%.

2. Pension requirements

Registration requirements

Social security registration

Companies registered in Jordan must also apply for a social security subscription number at the Social Security Corporation (SSC) and subscribe all their employees (Jordanians and non-Jordanians) to Jordan's social security scheme.

According to Social Security Law No. 1 of 2014, Jordanian nationals and foreigners working in Jordan must contribute to the Jordanian social security scheme. The rate is 14.75% for employers and 7.25% for employees.

Ongoing compliance requirements

Social security

It is the responsibility of the employer to withhold the social security contributions from the employees' income for each month of the fiscal year and file a monthly contribution form to the social security authority. An annual social security filing must also be made by the employer by 31 March which represents January's salary of each year as per Article 21 of the Social Security Law.

The payment of the social security must be made electronically through any of the Jordanian Bank online payment portal such as, but not limited to, eFAWATEERcom online portal which is owned by the Central Bank of Jordan. The payment should be made in Jordanian dinars and for the benefit of the SSC.

The monthly social security form and payment must be submitted to the SSC by the 15th day of the month which follows the month of the deduction.

3. Employment obligations

Under Jordan's Labour Law, several types of leave are permitted including:

Annual leave

Employees are entitled to annual leave with full pay of 14 days, unless a longer period was agreed. The annual leave shall be 21 days if the employee remains in the service of

the employer for five successive years. Public holidays, religious feasts and weekly holidays shall not be calculated as part of the annual leave unless they took place during the annual leave. If the employee's period of service has not reached a year, then he or she shall be entitled to pro rata paid leave for the period which he or she has worked.

Sick leave

Sick leave is 14 days per year based on a valid medical report.

Maternity leave

Maternity leave is 70 days.

Paternity leave

Paternity leave is three days.

4. Payroll requirements

According to the Labour Law, an employer is required to maintain payroll records for all of its employees working in Jordan.

5. Banking requirements related to payroll

All companies in Jordan are required to open a bank account with a bank authorized in Jordan in order to make their payments due to the government authorities.

The payment of the employee income tax liability and social security contribution have to be made electronically through any of the Jordanian Bank online payment portal such as, but not limited to, eFAWATEERcom online portal which is owned by the Central Bank of Jordan. The payment should be made in Jordanian dinars and for the benefit of the relevant government authority.



1. Government requirements

Registration requirements

State registration in Kazakhstan follows a “one-stop shop” principle: all registration documents must be submitted to a single government authority - the Government for Citizens. Under the law on state registration, the procedure should take from one to five business days. In practice, general registration can take up to one month.

The law prescribes a standard set of documents that must be submitted for the state registration of a company. Having all the right documents is key to a successful registration process. It is essential to ensure that the documents have been duly signed, sealed, notarized and legalized, or apostilled if they were executed abroad; otherwise, the registration process may be considerably delayed.

The state registration fee is currently 6.5 minimum calculation indexes (MCI)¹ (approximately USD48 for 2023).

Tax registration for individuals working in Kazakhstan also follows a “one-stop shop” principle. Hence, tax registration and social security registration are done at once when an individual receives Individual Identification Number (IIN). All the documents required for IIN obtainment should be submitted to a single government authority, the “Government for Citizens”. It is possible to submit the required documents both online (through an official website of “Government for Citizens”) and in-person. The process of IIN obtainment should take one business day. However, in practice this process may take longer.

Ongoing compliance requirements

On the basis of the Tax Code, a company is responsible for submitting to the tax authorities quarterly Personal Income Tax (PIT) and social tax reports by the 15th day of the second month following the reporting quarter.

Besides payroll withholding obligations levied imposed on tax agents, a foreign individual may also have a personal tax filing obligation in certain cases.

PIT

As required by the Tax Code, a tax agent is responsible for withholding and remitting income tax from payments made to resident and nonresident individuals.

Under the withholding mechanism, a tax agent withholds PIT and transfers it to the state budget on a monthly basis by the 25th day of the month following the month in which income was paid.

Special regime exists for shadow payroll in respect of income paid to individuals working in Kazakhstan under a service agreement between individuals’ home country employer and a counter party in Kazakhstan.

EY contacts

Vladimir V Fesenko
T: +7 727 258 59 60
E: vladimir.fesenko@kz.ey.com

Almira Abraimova
T: +7 727 258 59 60
E: almira.abraimova@kz.ey.com

Yuliya Azimbayeva
T: +7 727 258 59 60
E: yuliya.azimbayeva@kz.ey.com

¹ The MCI was established by the Law of the Republic of Kazakhstan “On the Republic’s Budget for 2023-2025”. Effective 1 January 2023, the MCI is KZT 3,450.

Tax rates

The following tax rates are applicable to resident and non-resident individuals depending on the type of income:

- ▶ Employment income received by residents and nonresidents: 10%
- ▶ Capital gains, interest and winnings received by residents, dividends (effective from 1 January 2023): 10%
- ▶ Capital gains, dividends, interest royalties received by nonresidents: 15%
- ▶ Income received from sources registered in a tax haven: 20%
- ▶ Other (non-employment) income paid to nonresidents: 20%

Income received in foreign currency is converted to the local currency (tenge) at the exchange rate on the day prior to the date when the income is paid.

Social tax

On the basis of the Tax Code, employers pay social tax, but this is an additional direct tax on employers that is not earmarked for the social benefit of employees.

Social tax is assessed on the employer's expenses in the form of employees' income.

Social tax exemptions apply, but are not limited, to the following:

- ▶ Employees' Social Medical Insurance fund contributions
- ▶ Obligatory pension fund contributions

Employers are required to pay social tax at a flat rate of 9.5% of gross income, less income not subject to social tax (e.g., obligatory pension fund contributions). The minimum taxable base for social tax per employee is 14 MCI (approximately USD103 in 2023).

Monthly social insurance contributions are deducted from the monthly social tax to be paid to the state budget (see social insurance contributions). Social tax must be remitted to the state budget on a monthly basis by the 25th day of the month following the month of income accrued.

Social insurance contributions

In accordance with the Social Code of the Republic of Kazakhstan, employers pay social insurance contributions at a rate of 3.5% on income paid to employees who are citizens of Kazakhstan, repatriated ethnic Kazakhs, foreigners and stateless persons holding a residence permit in Kazakhstan, or citizens of the Eurasian Economic Union (EEU) countries (i.e., Russia, Belarus, Armenia, Kyrgyzstan).

For 2023, income received in excess of 7 MMS (approximately USD1045 for 2023) per month is not subject to social insurance contributions. The minimum monthly tax base for obligatory social insurance contributions per employee is the MMS (approximately USD150 in 2023). If income subject to social insurance

contributions is less than the MMS, the monthly base for social insurance contributions per employee should be the MMS.

Obligatory social medical insurance

In accordance with the Law of the Republic of Kazakhstan No. 405-V "On obligatory social medical insurance" (OSMI), employers must make, at their own expense, employer contributions to the Social Medical Insurance Fund on a monthly basis at a rate of 3% of income paid to employees (applicable to Kazakhstan citizens, repatriated ethnic Kazakhs, citizens of the EEU countries and foreign citizens holding Kazakhstan residence permit).

In addition to employer contributions, starting from 2020, employer, being a tax agent, should withhold and remit to the Social Medical Insurance Fund monthly contributions from income of employees (Kazakhstan citizens, repatriated ethnic Kazakhs, citizens of the EEU countries and foreign citizens/stateless persons holding Kazakhstan residence permit) at 2% for 2023 of such employee's income.

For 2023 income subject to employer and employee OSMI contributions is capped at 10 MMS (approximately USD1,490 for 2023) per month.

An employer may also be responsible for submission of the following non-tax reports:

- ▶ Annual and quarterly statistical reports (Form 1-T) should be submitted to the local department of statistics. Quarterly reports should be submitted by the 10th of the month following the reporting quarter; annual reports should be submitted by 1 February following the reporting year.
- ▶ Form named "Information about demanded professions for the projected jobs" (1-forecast) should be submitted to the local district (city) labor authorities in case of a planned reduction in headcount (e.g., due to the employees reaching retirement age, recruitment into the armed forces and other labor flow reasons). This report should be submitted twice a year, not later than April and October 1st.
- ▶ Form named "Information on the demanded job vacancies and professions" (1-vrm) should be submitted to the local district (city) labor authorities in case of vacancies (e.g., due to a need to increase headcount, termination, reduction, retirement, maternity leave). This report should be submitted within three working days from the date a vacancy occurs.
- ▶ Monthly reports on foreign employees who have settled in Kazakhstan and have a work permit should be submitted to the local district (city) labor authorities before the 25th day of the reporting month.



2. Pension requirements

Registration requirements

No additional registration is required for legal entities. With regard to the individuals working in Kazakhstan, an Individual Pension Account should be automatically opened once the first amount of pension contribution is paid to the State Pension Fund.

Ongoing compliance requirements

Pension fund contributions

In accordance with the Social Code of the Republic of Kazakhstan, obligatory pension fund contributions (OPFC) of 10% of the gross salaries of Kazakhstan citizens, foreigners and stateless persons holding Kazakhstan residence permit must be withheld and remitted to the pension fund by employers on a monthly basis.

Starting from January 2021, in accordance with the Agreement on Pension Coverage of Employees of the EEU Member States, ratified by the Republic of Kazakhstan on 7 December 2020, all Kazakhstan employers are obliged to withhold OPFC in the amount of 10% of gross income of the employees/contractors that are citizens of the EEU states.

Income received in excess of 50 MMS (approximately USD7,447 in 2023) per month is not subject to obligatory pension fund contributions. OPFC are deductible for personal income tax and social tax purposes.

These contributions apply to citizens of Kazakhstan, citizens of the EEU countries, as well as to foreigners and stateless persons holding a residence permit in Kazakhstan.

Obligatory professional pension contributions

For employees in certain professions that involve hazardous working conditions (e.g., mining, oil and gas, pharmaceuticals, and consumer goods manufacturing), employers must also, at their own expense, make obligatory professional pension fund contributions at a flat rate of 5% (without a cap) of employees' gross salaries on a monthly basis.

Obligatory pension contributions from employer

Please note that a new mandatory pension contributions of an employer have been approved under the newly introduced Social Code and will enter into force in January 2024.

There will be a new type of contributions for the company, at a rate of 1,5% in 2024 with a gradual increase in the following years.



3. Employment obligations

The governing authority on labor issues is the Ministry of Labor and Social Protection of the Population of the Republic of Kazakhstan.

The obligations of the employer are regulated by the Labor Code, collective bargaining agreements, employment agreements and employers' acts, and include the obligations to:

- ▶ Pay to the employee the salary and other payments stipulated by the laws and regulations of the Republic of Kazakhstan, the employment agreement and employer's acts, in full and in a timely manner
- ▶ Review proposals from the employee's representatives and provide them with complete and accurate information required for the conclusion of a collective bargaining agreement, as well as for monitoring its implementation
- ▶ Comply with mandatory prescriptions of state labor inspectors
- ▶ Implement mandatory social insurance of employees
- ▶ Maintain workplace accident insurance for employees

- ▶ Provide paid annual vacation to employees
- ▶ Keep a record of working time, including overtime work in harmful and hazardous working conditions, and heavy work performed by each employee
- ▶ Conduct collection, processing and protection of employees' personal data in accordance with the legislation of the Republic of Kazakhstan

Minimum monthly salary

Kazakhstan law has an MMS requirement as determined by the Law on the Republic's Budget for the relevant year. For 2023, it is KZT70,000.

Working hours and annual vacation

Normal working hours are 40 hours per week.

Resting hours depend on the working regime, but normally should not be less than 12 hours per day.

The minimum paid vacation period under the Labor Code is 24 calendar days (excluding official holidays). Additional vacation days should be provided for employees working in hazardous or harmful conditions.

Injury insurance

Kazakh law requires an employer to insure its employees against work-related injury within the first 10 days of the month following the month in which the employer began work.

4. Payroll requirements

Salary should be paid not less than once a month, within the first 10 days of the following month. The date of payment should be agreed and provided in the employment contract.

Upon payment of salary, the employer should provide employees with pay slips containing information about all accruals and deductions in the relevant month.

5. Banking requirements related to payroll

Salary and any additional allowances should be set out in the employment contract and paid in local currency, tenge. Bank accounts can be opened with a local bank in Kazakhstan in tenge, with the option of using foreign currency as well.

Kazakhstan legal entities are permitted to hold bank accounts outside of Kazakhstan without restrictions, but they are required to notify the National Bank of Kazakhstan within 30 calendar days after an agreement is concluded with a foreign bank and to file regular statutory reporting.

In practice, payment of some payroll taxes and contributions cannot be processed from foreign bank accounts. Therefore, it is recommended to open accounts with Kazakhstani banks.

Kenya

K



1. Government requirements

Registration requirements

Personal Identification Number (PIN)

When a business enters Kenya and employs people, it must register with the Kenya Revenue Authority (KRA) for a PIN. Once the business has obtained a PIN, it can register for Pay-As-You-Earn (PAYE) by activating its PAYE obligation on the online KRA iTax system. The activation of the PAYE obligation will enable the business to settle its tax liabilities. Upon registration with the KRA, the business will be required to account for employment taxes withheld and remitted for all its employees (whether Kenyan nationals or expatriates). All employees in the company will also be required to obtain a PIN.

National Hospital Insurance Fund (NHIF)

The NHIF fund is a Kenya Government state corporation with a mandate to provide health insurance to Kenyans over the age of 18. The core mandate for NHIF is to provide accessible, affordable, sustainable and quality health insurance for all Kenyan citizens who have reached the age of 18 years and have a monthly income of KES1,000. An employer is required to register with the NHIF and make monthly contributions toward the fund for all its employees as per the NHIF Act.

The Social Health Insurance Fund (SHIF)

In a Gazette Notice on 21 November 2023, the Cabinet Secretary for Health designated 22 November 2023 as the commencement date of the Social Health Insurance Act, 2023 (SHIA). This act repeals the National Health Insurance Fund Act, 1989 (NHIF Act) to establish a framework for the management of social health insurance. Nonetheless, the High Court in a recent ruling suspended SHIA's implementation until February 2024 on grounds of lack of proper public participation.

Households with income from salaried employment are to pay a monthly statutory contribution to SHIF at a rate of 2.75% of the gross salary or wage of the household by the ninth day of each month. A household whose income is not derived from salaried employment shall pay an annual contribution to the Social Health Insurance Fund at a rate of 2.75% of the proportion of household income as determined by the means testing instrument in the manner prescribed under SHIF regulations. The amount payable every month shall not, in any case, be less than KES300 per month.

Employers will be required to deduct the contributions of salaried contributors and submit the contribution to the SHA by the ninth day of each month. When an employer terminates the employment of a salaried contributor, the employer will be required to notify the Authority within 30 days and remit the final contribution of the employee.

National Industrial Training Authority (NITA)

NITA is an agency established under the Industrial Training (Amendment) Act of 2011.

The mandate of the authority is to promote the highest standards in the quality and efficiency of industrial training in Kenya and ensure an adequate supply of properly trained manpower at all levels in the industry. All employers must register with the NITA.

EY contacts

Christopher Kirathe
T: +254 20 2715300
E: christopher.kirathe@ke.ey.com

Beatrice W Mwangi
T: +254 20 2886000
E: beatrice.mwangi@ke.ey.com

James Ngacha
T: +254 20 2886000
E: james.ngacha@ke.ey.com

Higher Education Loans Board (HELB)

The Higher Education Loans Board (HELB) is a statutory body in the Ministry of Education established in July 1995 by an Act of Parliament 'Higher Education Loans Board Act' Cap 213A.

HELB offers loans, scholarships, and other forms of funding to students who want to pursue higher education in Kenya.

Employers are required to register with the board; upon the employment of any loanee to inform the Board in writing within a period of three months of such employment; upon confirmation by the Board that such a person so employed is a loanee, to deduct from the wages or remuneration of the loanee, the amount of any loan as instructed by the Board; inform the board when a loanee employee leaves.

Ongoing compliance requirements

Remittance of PAYE

Employers must remit to KRA monthly PAYE taxes for all its employees and file the returns online on the KRA iTax platform by the ninth of the following month.

For late payment and non-payment of PAYE tax, KRA imposes penalties at 5% of tax payable and interest of 1% per month. Late filing or non-filing of the PAYE returns will incur a penalty of the higher of 25% of the tax due or KES10,000.

PAYE rates effective 1 July 2023

PAYE tax band	Rate of tax	Cumulative tax - KES per month, less relief
On the first KES24,000 per month or KES288,000 per annum; 1 - 24,000	10%	2,400.00
On the next KES8,333 per month or KES100,000 per annum; 24,001 - 32,333	25%	2,083.22
On the next KES467,677 per month or KES5,612,000 per annum; 32,334 - 500,000	30%	140,300.00
On the next KES300,000 per month or KES3,600,000 per annum; 500,001 - 800,000	32.5%	97,500.00
On all income amounts in excess of KES800,000 per month or KES9,600,000 per annum	35%	Above KES800,000
The applicable monthly personal relief is KES2,400 per month or KES28,800 annually.		

Annual reporting of PAYE and payment summaries

The employer should prepare and distribute Tax Deduction Cards (P9s forms) for employees immediately after 31 December.

Remittance of NHIF contributions

NHIF contributions are payable by the first day of the month following the month of deduction. However, in practice, the fund accepts payments made by the ninth of following month. Employers are mandated to remit this contribution for all employees as per the provisions of the NHIF Act applying the graduated rates, up to a maximum of KES1,700, however, individuals under self-employment are required to pay KES500 every month.

Remittance of NHIF contributions

The graduated NHIF scale is as follows:

Gross income (KES)	Proposed premiums (KES)
0-5,999	150
6,000-7,999	300
8,000-11,999	400
12,000-14,999	500
15,000-19,999	600
20,000-24,999	750
25,000-29,999	850
30,000-34,999	900
35,000-39,999	950
40,000-44,999	1,000
45,000-49,999	1,100
50,000-59,999	1,200
60,000-69,999	1,300
70,000-79,999	1,400
80,000-89,999	1,500
90,000-99,999	1,600
100,000 and over	1,700
*Self-employed (Special)	500

A penalty for late payment equivalent to the prevailing CBK interest rate shall be payable by that person for each month or part thereof during which the contribution remains unpaid, and any such penalty shall be recoverable as a sum due to the fund, and when recovered, shall be paid into the fund.

Remittance of Affordable Housing Levy (AHL)

This is a housing levy introduced through the Kenya Finance Act 2023 ("the Act"), effective 1st July 2023. An employer is required to deduct 1.5% of the employee's gross monthly pay (which excludes non-cash payments/benefits as well as income not paid regularly), and the employer to match 100% the employee's contribution as part of the total monthly levy contributions.

The employer is required to remit the levy by the ninth day of the following month. Late remittance of the levy will attract a penalty of 2% of the amount due for each month the payment remains unpaid.

Kenya's High Court declared the AHL unconstitutional in a ruling rendered on 28 November 2023, but later stayed the ruling until 10 January 2024, to allow for the government to appeal. On 7 December 2023, the government tabled a revised Affordable Housing Bill in the National Assembly to resolve illegalities pointed out by the Constitutional Court.

Remittance of HELB deductions

The employer shall pay every deduction from the loanee's wages or remuneration in the prescribed manner to the Board within 15 days after the end of each month.

Failure to remit or delay will attract a penalty equal to 5% of the total amount due on the employer for each month or part of the month that the repayment remains unpaid.

2. Pension requirements

Registration requirements

The National Social Security Fund (NSSF) is a government agency responsible for the collection, safekeeping, responsible investment and distribution of retirement funds of employees in both the formal and informal sectors of the Kenyan economy. An employer and all its employees are required to register with the NSSF and make monthly contributions (employer and employee) as per the NSSF Act.

Ongoing compliance requirements

Implementation of NSSF Act No. 45 of 2013

NSSF contributions for the purposes of the Act, the Upper Earning Limit (UEL) is KES18,000 while the Lower Earnings Limit (LEL) is KES6,000. The pension contribution is 12% of the pensionable wages made up of two equal portions of 6% from the employee and 6% from the employer subject to an upper limit of KES2,160 for employees earning above KES18,000.

The employer is required to file the NSSF return with the authority by the ninth day of the following month. In filing the return, the employer should indicate the employee's

NSSF number. Foreigners who are members of social security in their home country and are in Kenya for less than three years are exempt from making contributions toward the NSSF.

Any amount paid after the due date attracts a penalty of 5% per month on the contribution due, or part thereof, for the period the tax remains unpaid.

Pension withdrawal tax rates

Tax Laws (Amendment) Act, 2020 (the Act), effective 1 January 2021 set the highest tax rates on pension withdrawals from registered retirement funds (after 15 years from the date of joining the fund, or on the attainments of the age of fifty years, or upon earlier retirement on the grounds of ill health or infirmity of body and mind) at 30% for amounts exceeding KES1,600,000 p.a.

NITA levy

This is levy charged at KSH50 per employee payable by employer by the fifth of the following month. Any payment received after the due date is subject to imposition of a penalty at rate of 5% per month that remains unpaid.

National Employment Authority (NEA)

All employers are required to register with the National Employment Authority. NEA requires all employers in Kenya with 25 or more employees to submit returns in relation to their employees for each calendar year ending 31 December.

An employer is required to notify the Director of Employment of any vacancies and/or terminations as well as when vacant posts are filled.

An employer who fails to file a return of employees' details with the National Employment Authority is liable for a fine of up to KES100,000 and/or a six months jail term.

3. Employment obligations

Annual leave

An employee shall be entitled to annual leave after every 12 consecutive months of service with their employer of not less than 21 working days leave with full pay.

Maternity leave

A female employee shall be entitled to three months of maternity leave with full pay.

A male employee shall be entitled to two weeks of paternity leave.

Sick leave

After two consecutive months of service with his or her employer, an employee shall be entitled to sick leave of



not less than seven days with full pay, and thereafter to sick leave of seven days with half pay in each period of 12 consecutive months of service. Maternity and paternity leaves are provided with full pay.

Study leave

There are no specific provisions for study leave. The common practice is for the employer and employee to reach an agreement.

Study leave is also normally deducted from the annual leave entitlement.

4. Payroll requirements

Pay slips

As common practice, employers are required to provide monthly pay slips to their employees in either hard or soft copy, unless it is stipulated otherwise in their contracts. However, this is not mandated under the Kenyan Employment Act.

An employer is required to keep a written record of all employees with whom they have entered into a contract. The records can be kept in paper form or electronically (as long as the information can be accessed easily and converted into written form).

P9 Forms

Employers are required to share with employees their tax cards showing all the employment earnings and tax deducted in a year of income.

Payroll tax changes

Effective 1 July 2023, the following are the payroll tax changes through the Finance Act 2023.

Travel allowance paid to an employee on official duty to be exempt from tax if substantiated by the standard mileage rate approved by the Automobile Association of Kenya.

Club entrance and subscription fees taxable on employee, if allowed on the employer's income.

The Employee Share Ownership Program (ESOPs) benefit for purposes of PAYE shall be when the option is exercised by the employee.

Where a startup awards shares in place of a cash emolument, the benefit shall be deferred 30 days of the earlier of; five years after the end of the year of award; disposal of shares, when the employee ceases to be an employee. Benefit shall be the fair value or as shall be assessed by the commissioner based on the PY financial statements.

Effective 1 January 2024, post-retirement medical fund relief to be enjoyed by resident individuals contributing to post-retirement medical funds. The relief shall be 15% of the contribution or KES60,000 per annum, whichever is lower.

5. Banking requirements related to payroll

There is no standard method for making payments to employees. Employers can make payments to their employees by either cash, electronic transfers, check or a combination of these.

Payment to employees does not need to be in local currency however tax must be paid in local currency.

If paying wages by cash, the employer and employee should sign a record to confirm the amount of money that has been paid each pay period.

Foreign exchange control considerations

There are currently no exchange control regulations in Kenya. Therefore, payments or remittances to foreign countries can be freely made by the Kenyan entity. However, as part of the Central Bank of Kenya's anti-money laundering regulations, local commercial banks will require documentary evidence for any remittances out of Kenya in excess of USD10,000 (or its equivalent in euro or sterling).



1. Government requirements

Registration requirements

Registration with tax office: As long as the entity is registered with the tax office for its establishment, no further registration for payroll is specifically required.

Registration with social security agencies: At the time of first hire, an employer is required to register with the social security agencies for the following social security programs:

a. National Pension Plan

Under the National Pension Law, a company with at least one employee will be required to join the National Pension Plan. The contribution of 9% of payroll will be shared equally (4.5% by the employer and 4.5% by the employee). The cap on the monthly salary income, which becomes the basis for the insurance premium, is KRW5,900,000 (effective from 1 July 2023). The cap amount is changed every July.



EY contact

Jang Kyu Shin
T: +82 2 3770 0954
E: jang-kyu.shin@kr.ey.com

b. National Medical Insurance Plan

Under the National Medical Insurance Law, a company with at least one employee is required to join the National Medical Insurance Plan.

- ▶ National Medical Insurance: The contribution rate for National Medical Insurance is 7.09% in 2023 (3.545% per employee and employer) and the insurance premiums are determined based on the employee's taxable salary income. The cap on the monthly taxable salary income, which becomes the basis for the insurance premium, is KRW110,332,330 for 2023.
- ▶ Medical Care Expense Insurance: The contributing amount for Medical Care Expense Insurance in 2023

is 12.81% of the National Medical Insurance and is shared equally by an employee and employer.

c. Worker's Accident Compensation Plan

Under the Worker's Accident Compensation Law, a company with at least one employee, including foreigners, is required to join the Worker's Accident Compensation Plan and pay the premium on a monthly basis if the employee's salary is paid or borne by the Korean entity. The premium is entirely borne by the employer and is deductible for corporate tax purposes. The premium rate for 2023 ranges from 0.7% to 18.6% of an employee's salary depending on the type of industry.



d. Unemployment Insurance Plan

A company with at least one employee is required to make contributions to the Unemployment Insurance Plan. The following three types of premiums must be paid on a monthly basis:

- ▶ Unemployment insurance premium of 1.8% (from July 2023) of an employee's salary, which is shared equally between the employer and the employee
- ▶ Employment security and development premiums of 0.25% to 0.85% of an employee's salary, which is borne entirely by the employer.

Ongoing compliance requirements

A monthly withholding tax return (withholding of personal income taxes on the company's payroll – payroll income from a local employer) must be filed with the district tax office by the tenth day of the following month and the taxes withheld must be paid to either the district tax office or a bank designated as a national treasury agent. In addition, a year-end payroll withholding tax return needs to be prepared to make necessary adjustments to the withholding taxes that were reported during the year.

2. Pension requirements

A National Pension is filed/proceeded together with other social security requirements as part of four kinds of Social Security Compliance - please refer to section 1.

3. Employment obligations

An employer is required to comply with the Korean Labor Standards Act, which stipulates various requirements in hiring and maintaining its employees.

Details of obligations include and not limited to:

- ▶ Minimum 15 days of leave per year
- ▶ Mandatory severance payment when exceeding one year of employment
- ▶ Minimum one month notice

4. Payroll requirements

Payroll requirements are also controlled by the Korean Labor Standards Act. Pay slips with allowance calculation details should be stated each time wages are paid and the pay slips should be issued by the employer in written statement or in an electronic document. In addition, there is no specific guidance for payment frequency, however, in general practice, it is once per month.

5. Banking requirements related to payroll

There is no specific control process for payment. In practice, the payment would be processed as per individual agreement through the employment contract.



EY contacts

Ahmed Eldessouky
T: +974 3382 0641
E: ahmed.f.eldessouky@qa.ey.com

Nitesh Jain
T: +965 9098 0746
E: nitesh.jain@kw.ey.com

Amit Arora
T: +965 2295 5142
E: amit.arora@kw.ey.com

Samantha Weerasekara
T: +965 2295 5045
E: samantha.weerasekara@kw.ey.com

1. Government requirements

Registration requirements

Registration with the Public Authority of Manpower (PAM)

The company's file must be opened with PAM, which will determine the number of visas available to the company (on the basis of the company's sector and work specification being registered with PAM). Accordingly, employees whose visas are issued through the file will need to be registered under the company's file. If the employee needs to move to another firm, the new employer should raise an online transfer request through the PAM portal, which should be approved by the current employer. Once the current employer approves the said request through the portal, the employee can be registered in the file of the new firm. This process takes one to two weeks to be completed.

Employment contracts

Employees in Kuwait are entitled to obtain an employment contract issued and signed by themselves and the employer. The contract details the basic salary, job title, period of contract and the performance measures of the company. The contract also explains the termination conditions, including the notification period from either side for termination of contract, and the liabilities to be incurred if conditions of the contract are broken.

Income tax registration

There is no Personal Income Tax (PIT) in the state of Kuwait. However, there is corporate tax applicable to foreign corporations. The Kuwaiti tax law does not define the concept of resident or nonresident and permanent establishment. As a result, there may be corporate tax implications where representatives or employees of the supplying or invoicing foreign entities are present in the country.

In practice, the Kuwait Tax Authority (KTA) considers even a single day's visit to Kuwait as a taxable presence in the absence of a double tax treaty between the corporation's country of tax residence and Kuwait.

Ongoing compliance requirements

Salaries are required to be paid through the online salary portal of the local banks which will transmit the information automatically to PAM.

2. Pension requirements

Registration requirements

Social security

Every new Kuwaiti employee should be registered with the Public Institution for Social Security (PIFSS) within 10 days from the joining date to avoid penalties. Social security contributions are applicable to all Gulf Cooperation Council (GCC) nationals. However, the social security rates vary according to the nationality of the employee.



Ongoing compliance requirements

Social security

For Kuwaiti nationals, social security contributions must be paid as a percentage of their monthly basic salary plus their social allowance. The contributions by the employer and the employee are as follows:

- ▶ The employee's contribution toward social security is 10.5% up to KWD1,500 and 8% from sums above KWD1,500 and up to KWD2,750.
- ▶ The employer's contribution toward social security is 11.5%, with the cap amount being KWD2,750.

For foreign employees who have completed a minimum period of three years, it is generally necessary to make a terminal indemnity payment, calculated at 15 days remuneration for each of the first five years of service and one month remuneration for each year thereafter.

3. Employment obligations

Annual leave

Employees are entitled to 30 days (excluding sick leave and public holidays) of annual paid leave for one year of continuous service.

Time off work

The employee shall be entitled to a weekly period of rest of not less than one day with pay, and in case the employee

is made to work during the weekly rest, he or she shall be entitled to a wage in return for that day equaling the original wage per day plus at least 50%.

Working on official public holidays

Whenever an employee is made to work on an official public holiday, he or she shall be entitled to a double wage for that day.

Minimum wage

In Kuwait, minimum wages vary depending on the job role and the job designation as per the visa.

Government medical insurance

It is mandatory for all employees to be provided government medical insurance.

4. Payroll requirements

Wages may be determined per hour, per day, per week, per month or per project. Wages shall be paid on one of the official work days and at the workplace of the employees, in the currency legally in circulation, subject to the following provisions:

- ▶ Employees appointed on monthly pay shall be paid the wage thereof at least once per month.

- ▶ Employees paid per hour, day laborers, employees on a weekly wage or paid on a project basis shall be paid the wage thereof at least once every two weeks.
- ▶ The employer shall be prohibited from transferring a monthly paid employee to the category of a day laborer, or to the category of an employee appointed on a weekly wage or on a project basis, except terminating the existing contract and sign a new contract and update the same with the MOSAL.

5. Banking requirements related to payroll

All salary payments must be made through a local bank account and paid in local currency.

Latvia

L



1. Government requirements

Registration requirements

State Revenue Service (SRS)

Information of the company is sent to the SRS within one working day once the legal entity is registered in the commercial register of Latvia. Data is exchanged electronically between state authorities. The SRS registers the taxpayer in the taxpayers' register or takes a decision to refuse the registration of the new taxpayer no later than three working days after the registration documents are received.

All new employees must be reported by the company to the SRS at least one day before the commencement of the employment relationship.

Electronic Declaration System (EDS)

All companies, regardless of their chosen form of business, should collaborate with SRS via the EDS. Tax returns and statements should be submitted in the EDS pursuant to the tax statutory deadlines.

Employment contracts

An employer and an employee shall establish a mutual legal employment relationship by concluding an employment contract. With an employment contract, the employee undertakes to perform specific work, subject to specified working procedures and orders of the employer, while the employer undertakes to pay the agreed work remuneration and to ensure fair and safe working conditions that are not harmful to health. The provisions of the Civil Law shall apply to contracts of employment. General rules of employment are stipulated in the Labor Law of the Republic of Latvia.

Mandatory state social insurance contributions (SSC)

An employer (including a micro-enterprise taxpayer) shall register each employee with the SRS, by submitting the information regarding them within the following timescales:

- ▶ Regarding new employees: not later than one day before they commence work, if information is submitted via paper form, or one hour before they commence work, if information is submitted via EDS
- ▶ Regarding employees who have changed or lost their status as an employee: not later than within three working days after the change or loss of status

The requirements mentioned above are described in Cabinet Regulations No. 827 "Regulations Regarding Registration of Persons Making Mandatory State Social Insurance Contributions and Reports Regarding Mandatory State Social Insurance Contributions and Personal Income Tax."

Ongoing compliance requirements

Personal Income Tax (PIT)

PIT shall be paid by all natural persons who are domestic taxpayers (residents) and who have obtained income in the Republic of Latvia and foreign states, if any, during the taxation period (calendar year). Foreign taxpayers who have obtained income in the Republic of Latvia during the taxation period are also subject to PIT.

Starting from 2020, PIT has the following progressive rates:

- ▶ For income up to EUR20,004 per year - 20%

EY contacts

Zane Caune

T: +371 2969 7077

E: zane.caune@lv.ey.com

Dace Kravale

T: +371 2649 2089

E: dace.kravale@lv.ey.com

- ▶ For income from EUR20,005 to EUR78,100 per year - 23%
- ▶ For income more than EUR78,100 per year - 31%

The tax rate of 31% is not applied to earned income during the tax year. The payer of income deducts tax of 23% from all income above EUR1,667 per month, and the final PIT calculation is made pursuant to the summary procedure. As part of this procedure, employees part of Solidarity tax in amount of 10% will be transferred to the PIT account with the State Treasury, except where a taxable person is holding an A1 certificate and statutory social insurance contributions are paid abroad.

If the employee has not submitted the tax book to the employer, 23% of PIT is calculated from the first Euro of income.

If the employee has registered the tax book, the following tax allowances are applicable:

- ▶ Non-taxable minimum which is calculated individually to each employee by Latvian State revenue services according to income declared in previous six months from 1 July 2022 is EUR500. The maximum non-taxable minimum is EUR500 and it is applicable if the employee receives minimum wage. If the employee's wage is above EUR1,800, the non-taxable minimum is zero.
- ▶ Allowances for dependents for year 2023 is EUR250 for each dependent per month.

The Law of the Republic of Latvia on PIT governs the PIT rates. PIT from salaries is calculated, withheld and paid by the company.

From January 1, 2024, the following changes are foreseen in the PIT Law:

- ▶ Increase PIT exempt amount for health or accident insurance premium amounts (from 426.86 EUR to 750 EUR);
- ▶ Establish as a permanent norm the exemption from PIT employer's compensations in connection with remote work and increase the amount of compensation to 40 EUR (currently - 30 EUR).

If you are interested in finding out more, please reach out to us.

PIT and SSC reporting

By the date determined by State Revenue Service for making monthly mandatory payments, the employer shall submit to the State Revenue Service an employer's report on monthly calculated salaries and payroll taxes (e.g., SSC and PIT) till 17th of the following month.

Notification of the amounts disbursed to a natural person

This notification shall be sent to the SRS no later than 1 February of the year following the taxation year, provided that the employment relations have existed until the end

of the year. The notice regarding the amounts disbursed to an employee, considering one with whom employment relations have not existed until the end of the year, shall be sent by the employer to the SRS by the 15th of that month which follows the month of the termination of employment relations.

State social insurance contributions (SSC)

The standard SSC rate is 34.09% and it is calculated from employees' monthly gross income. SSC is divided into two parts – the employee's part and the employer's part. The standard distribution is 10.5% and 23.59%. SSC rates and splits between parties can differ based on special categories of people.

SSC shall be paid by the date determined by State Revenue service to State Treasury.

SSC is accounted from income up to EUR78,100 per year, if the employee's yearly income exceeds the threshold - deducted SSC above the threshold (employee's part 10.5% and employer's part 23.59%) is transferred to Solidarity tax.

SSC is calculated and paid by the employer. The general rules of SSC calculation and application are described in the Law of the Republic of Latvia on State Social Insurance and Cabinet Regulation No. 786.

2. Pension requirements

Pension system in Latvia

Since July 2001, there has been a three-tier pension system in Latvia which includes the first tier (state compulsory unfunded pension scheme), the second tier (state funded pension scheme) and the third tier (private voluntary pension scheme). The underlying principle of the system is: the larger the contributions made, the larger the pension will be. The simultaneous existence of all three pension tiers ensures the stability of the system because it reduces the demographic and financial risk for each of the tiers.

All persons making SSC are involved in the first tier. Paid contributions are used to fund old age pensions for the existing generation of pensioners.

The SSC of those who participate in the second pension tier, through their chosen fund managers, are invested into the financial market and saved for their pensions.

The third pension tier provides the possibility for every individual to choose to create additional savings for his or her pension in private pension funds.

The pension system in Latvia is supervised by the State Social Insurance Agency (SSIA).

3. Employment obligations

Social insurance

All employees who have reached 15 years of age and are employed by an employer shall be subject to mandatory social insurance. Persons who have reached 15 years of age, whose permanent place of residence is of Latvia and who are not subject to mandatory social insurance, may join the state social insurance voluntarily in accordance with the procedures stipulated by the Cabinet. Health and life insurance is an additional benefit for employees and is optional to employers.

Minimum wage

The minimum monthly salary in Latvia is determined by the Cabinet of Ministers. In 2023, the minimum monthly salary is EUR620, and from January 1, 2024, it increases to EUR700 for normal working hours of 40 hours per week.

Annual paid leave

Every employee has the right to annual paid leave. Such leave may not be less than four calendar weeks, not counting public holidays. Employees under 18 years of age shall be granted annual paid leave of one month. With the agreement of the employee and the employer, annual paid leave in the current year may be granted in parts, but one part of the leave in the current year shall not be less than two uninterrupted calendar weeks. In exceptional cases, when the granting in the current year of the full annual paid leave to an employee may adversely affect the normal course of activities, it is permitted for the employee to transfer part of the leave to the subsequent year, with their written consent. In such cases, the part of the leave in the current year shall not be less than two consecutive calendar weeks. The part of the transferred leave shall, as far as possible, be added to the leave of the next year. Part of the leave may be transferred only to the subsequent year.

Resting hours

Daily and weekly rest time differs according to the type of employment (e.g., normal working hours, part-time work, or aggregated working hours).

Absence due to illness

In Latvia, we have two type of sick leaves:

- ▶ Sick leave A is paid by the employer for the period of illness from the second to the ninth day (sick pay is not paid for the first day of illness).
- ▶ Sick leave B is paid by the State Social Insurance Agency (SSIA) from the tenth day of illness in the amount of 80% of the average salary, for which social insurance contributions are made.

Effective from January 2023, child care for the same child will have the right to choose the total period for receiving the parental allowance, which consists of the parental

allowance and the non-transferable part of the parental allowance (two months), meaning that both parents will have to take parental leave.

It will be possible to choose one of two benefit periods:

- ▶ 19 months, of which 15 months from the day of the child's birth can be used until the child is one and a half years old, while each parent can use the non-transferable part until the child is eight years old
- ▶ 13 months, of which nine months from the day of the child's birth can be used until the child is one year old, while the non-transferable part can be used by each parent until the child is eight years old.

4. Payroll requirements

An employer has a duty to pay work remuneration not less than twice a month, unless the employee and employer have agreed on payment of work remuneration once a month.

There are three mandatory payroll taxes calculated and paid from salaries in Latvia. Personal Income Tax and Social Security Contributions have been described in this guide. The third is an unemployment risk fee of EURO.36 for one reporting month which is paid for each employee with whom the company has employment relationships. The company, on a monthly basis, calculates and pays this risk fee into the State Budget. The amount and payment procedures are determined by Cabinet Regulation No. 709.

Pay slips

When paying work remuneration, an employer shall issue a written calculation in which the remuneration disbursed, the taxes deducted and the mandatory state social insurance payments made are specified. This should also include overtime hours, hours worked at night and hours worked on public holidays.

The employer has a duty to explain these calculations upon the request of an employee.

5. Banking requirements related to payroll

Payment requirements are described in the Labor Law. Work remuneration, in accordance with Labor Law, shall be calculated and paid in cash in local currency Euro. However, most companies have chosen to use non-cash payments. Work remuneration shall be calculated and disbursed in cash. An employer has the right to disburse work remuneration as non-cash payments only when both the employee and the employer have specifically agreed.

Lebanon

L



1. Government requirements

Registration requirements

Registration with the Payroll Tax Department

Under current Income tax regulations, each employer is required to register its employees within two months of their commencement of work. Certain forms (R3, R3-1) should be completed and submitted to the tax authorities.

Ongoing compliance requirements

Employees' income tax

As per the Lebanese Income Tax Law, the employer is responsible for administering employees' income tax relating to their salaries and benefits. On a monthly basis, companies must withhold the imputed tax from the employees' payments and remit it on a quarterly basis to the tax authorities.



EY contacts

Romeo Gedeon

T: +961 1 760840

E: romeo.gedeon@lb.ey.com

Zeina Frenn

T: +961 1 760800

E: zeina.frenn@lb.ey.com

The required forms and deadlines are as follows:

- ▶ R10 – employees' quarterly income tax return; deadline: within 15 days from the end of each quarter
- ▶ R5 – employees' annual income tax return; deadline: before end of February of the following year
- ▶ R6 – individual's annual income tax return; deadline: before end of February of the following year
- ▶ R7 – list of employees who left the company during the year; deadline: before end of February of the following year
- ▶ R8 – personal return for an employee who works for more than one entity; deadline: before 30 April of the following year

The R10, R5, R6 and R7 forms are submitted online through the portal of the Lebanese Ministry of Finance (MoF).

Employees' income tax brackets are progressive from 2% to 25%.

2. Pension requirements

Registration requirements

Each company, with at least one employee, has to register itself with the National Social Security Fund (NSSF). A tax-paying company is required to register new employees with the NSSF within 15 days of their employment.

Social security contributions are payable on a quarterly basis for companies with fewer than 10 employees, and on a monthly basis for companies with 10 or more employees.



The registration forms for the SS are as follows:

- ▶ SS employment form for employees being registered with the NSSF for the first time
- ▶ SS notification form for employees previously registered with the NSSF

Ongoing compliance requirement

Each employer has to account for the following monthly contributions:

- ▶ From the employee's total income, 8.5% toward the end-of-service indemnity applicable for Lebanese employees. Nationals of France, the United Kingdom, Belgium, Italy and Palestinian Authority can also benefit from the end of service scheme subject to specific conditions
- ▶ Six percent of the employee's total income (with an income ceiling of LBP3,425,000 toward family contributions
- ▶ Eight percent of the employee's total income (with an income ceiling of LBP18,000,000 toward sickness and maternity contributions, and an additional 3% contribution by the employee

End-of-service indemnity

For the end of service indemnity mentioned above, this is calculated by multiplying the employee's years of service by his or her last salary as of the date of cessation of employment.

3. Employment obligations

Employment obligations include official transportation allowance (LBP250,000) per working day and official schooling allowance of LBP3,000,000 per child enrolled in public schools and LBP6,000,000 per child enrolled in private schools. The allowance per employee should not exceed LBP9,000,000 and LBP18,000,000 for public and private sectors respectively.

Employees are entitled to 15 days annual leave after the completion of the first full year of employment, such leave can be accumulated up to a maximum of two consecutive years.

There are only two compulsory holidays in Lebanon - Labor Day and Independence Day. However, there are other holidays that are recognized by the state, but are not compulsory, and each employer decides on its own which of these holidays would be adopted.

Lebanese law currently allows women to take up to 10 weeks paid maternity leave.

Employees are entitled to a sick leave which varies in accordance with the years of service and range between half month fully paid and half month half paid up to two and half months fully paid and two and a half months half paid.

4. Payroll requirements

Pay slips must be provided to the employee on a monthly basis. In addition, these pay slips must be signed and stamped.

There is no currency limitation on the payment of salary, however as per the Budget Law for 2022 (2022 Budget Law or Law), tax on salaries should be withheld by the employer and remitted to the tax authorities in Lebanese pounds based on the actual value in which these salaries were paid and within 15 days following the end of each quarter.

Effective 1 January 2022 the following exchange rates should be applicable for salaries paid in USD (or in any other foreign currency) as per the Ministry of Finance Decision Nos. 2/1 and 3/1 dated January 2023:

- ▶ LBP8,000 for the period before 15 November 2022
- ▶ LBP15,000 for the period starting 15 November 2022 onwards

Some tax values are anticipated to change starting from 1 January 2024, following the publication of the 2024 Budget Law in the Official Gazette.

5. Banking requirements related to payroll

The employer may pay to employees via check, cash or electronic funds transfer.



1. Government requirements

Registration requirements

Tax registration with Lesotho Revenue Authority (LRA)

Any business or organization registered in Lesotho, either as a company, partnership, professional, sole trader or association (including non-profit-making organizations), should register with the LRA. Any such businesses can contact the Advice Centers, Taxpayer Education Office or One-Stop Business Facilitation Centre (OBFC) located at the Ministry of Trade, Industry, Cooperatives and Marketing for assistance.

Tax registration is governed by the Lesotho Revenue Authority (LRA). The governing legislation is the Income Tax Act No. 9 of 1993. The business registration form is called the Bus-reg-01 form and the individual's registration form is called the Ind-reg-01 form.

The following are the types of taxes that businesses are required to register for:

- ▶ Individual Income tax (IIT): An individual who derives income in Lesotho is expected by law to register for income tax and pay tax due in Lesotho.
- ▶ Company Income Tax (CIT): An entity registered as a company should register for CIT.
- ▶ Employment Income Tax (EIT)/Pay-As-You-Earn (PAYE): If the business or organization has employees earning taxable salaries, then it should also register for PAYE.
- ▶ Fringe Benefit Tax (FBT): If the business or organization provides any taxable fringe benefits, such as domestic assistance, meals or refreshments, a car, medical aid, electricity, a telephone, housing, debt waiver, a loan, or excessive superannuation contributions, then it should also register for FBT.
- ▶ Withholding Tax (WHT): If the business or organization outsources some services, then it should register for WHT.
- ▶ Value-Added Tax (VAT): If a business makes a taxable turnover of LSL850,000 or more per annum, it must be registered for VAT. This is referred to as compulsory registration. A business may, however, volunteer to register for VAT where it does not meet the above turnover threshold. This is referred to as voluntary registration.

Companies are required to bring Memorandum and Articles of Association, Trader's license, certified copies of passports of the directors, certificate of incorporation and a schedule listing all employees, their salaries and fringe benefits offered, if any.

No tax registration fee is payable.

Ongoing compliance requirements

Company Income Tax (CIT)

A taxpaying company that derives income in a year of assessment is liable to pay three installments of tax due by 30 September, 31 December and 31 March of the year of assessment, except where the taxpayer has been granted permission to use a substitute accounting period, the installments of tax become due on the last day of the 6th, 9th and 12th months of the substituted year or accounting period. A company is required to file a return annually but pay every quarter.

EY contacts

Khatija Khan

T: +27 31 57 6 8067

E: khatija.khan@za.ey.com

Emile F Du Toit

T: +27 82 856 1552

E: emile.dutoit@za.ey.com

Fringe Benefit Tax (FBT)

The return for FBT must be filed by a company within 14 days of the end of the period to which it relates, and payment of FBT is to be made quarterly:

- ▶ First quarter: 30 June
- ▶ Second quarter: 30 September
- ▶ Third quarter: 31 December
- ▶ Fourth quarter: 31 March

Individual Income Tax (IIT)

An individual taxpayer is required to make an annual tax payment and file an annual tax return by 30 June.

Pay-As-You-Earn (PAYE)

PAYE is to be withheld by employers monthly and is to be paid to the LRA by the 15th of every month.

Withholding Tax (WHT)

WHT is to be paid by the 15th of every month.

Value-Added Tax (VAT)

A VAT return is to be submitted by the 20th of every month and payment to be made by the same date.

2. Pension requirements

There is no mandatory social security requirements.

3. Employment obligations

Labor relations are governed under the Lesotho Labor Code Order, 1992.

Manner of fixing wages

Wages and conditions of employment may be fixed by the terms of a contract of employment, a collective agreement, an arbitration award, an industry-wide order under Section 54 or by a wages order issued by the Minister upon the recommendation of the Wages Advisory Board.

Weekly rest and public holidays

Except as otherwise provided by the Code, every employee shall be allowed a weekly rest period of at least 24 continuous hours which shall, whenever practicable, include Sunday as the day of rest. If the circumstances of a particular employment so require, the employer may, after consultation with the employee or his or her representative,

at not less than three days' notice, grant a different period of at least 24 continuous hours in that week as the period of weekly rest for the employee concerned.

Whenever an employee is required to work on his or her day of weekly rest or on a public holiday, the employer shall pay him or her for such work at double the employee's wage rate for an ordinary work day. This shall be without prejudice to an employee's entitlement to payment at a higher rate for work performed on that day of rest or public holiday under the terms of a collective agreement applicable to the employee.

Holiday

An employee shall be entitled to one working day's holiday on full pay in respect of each month of continuous employment with the same employer. An employee shall be entitled in each year to a minimum holiday of 12 working days on full pay, to be taken at such times as may be agreed between the employer and the employee.

Ordinary hours of work and overtime

Except as otherwise provided in the Code, the normal hours of work for any employee shall not be more than 45 hours per week, calculated as follows:

- ▶ For an employee who ordinarily works a five-day week: nine hours of work on any day
- ▶ For an employee who ordinarily works a six-day week: eight hours of work on five days and five hours of work on one day

Dismissal

An employee shall not be dismissed, whether adequate notice is given or not, unless there is a valid reason for termination of employment, which is:

- ▶ Connected with the capacity of the employee to do the work he or she is employed to do (including but not limited to an employee's fraudulent misrepresentation of having specific skills required for a skilled post)
- ▶ Connected with the conduct of the employee in the workplace
- ▶ On the basis of the operational requirements of the undertaking, establishment or service

Any other dismissal will be unfair unless, having regard to all the circumstances, the employer can sustain the burden of proof to show that he or she acted reasonably in treating the reason for dismissal as sufficient grounds for terminating employment.

4. Payroll requirements

The wages of every employee shall be made payable in legal tender only, and any agreement whereby the whole or any part of the wages of an employee are made payable in any other manner shall be void. However, nothing in the Code shall render illegal an agreement or contract with an employee to provide the employee, as partial remuneration for his or her services in addition to money wages, with food, a dwelling place or such other allowances or privileges as may be customary in the trade or occupation concerned. The Minister may make regulations whereby, in specified classes of employment or in particular cases, contracts may provide for the partial payment of wages in the form of allowances in kind.

The following conditions shall apply to the partial payment of remuneration in any form other than money wages:

- ▶ Under no circumstances shall an employer give to an employee any noxious drug or any intoxicating liquor by way of remuneration or wages.
- ▶ Any allowances in kind shall be appropriate for the personal use and benefit of the employee and his or her family.

- ▶ The value attributed to any allowance or privilege shall be fair and reasonable in accordance with prevailing prices and in any case shall not exceed the cost to the employer of supplying the same.
- ▶ Where the employee is provided with accommodation, the statutory minimum wage applicable to that employee may be reduced by such amount as may be determined by the relevant wages order.
- ▶ An employee may at any time (by a fortnight's notice in writing to take effect from the next date for the payment of wages after the expiry of such notice) renounce his or her right to any such allowances or privileges and require the same to be replaced by a sum of money equivalent to the value thereof.

5. Banking requirements related to payroll

Depending on the employment contract, there is no specific banking requirements.

Libya

L



1. Government requirements

Registration requirements

Labor Office

All companies must register at the Labor Office and subsequently state their employee requirements. A national must be employed if a person with relevant skills is available, and certain jobs are restricted to nationals.

Opening a file at the Labor Office requires the submission of:

- ▶ Covering letter requesting the opening of a file
- ▶ Tax Clearance certificate
- ▶ Social Security Clearance certificate
- ▶ List of employees by nationality (Libyan, other Arab, expatriate)
- ▶ Registered Contract with a Libyan Government entity
- ▶ Power of Attorney of Branch Manager, a copy of his passport, and four passport-sized photographs

The registration process requires the signing of a contract to train nationals. The number to be trained will be a matter of negotiation but will be partly based upon the number of non-Libyans to be employed under the Registered Contract. Labor Law states that the workforce should be 75% Libyan.

A foreigner may be employed if a national is not available, subject to having appropriate qualifications. Supporting documents must be submitted and an annually renewable work permit will be issued.

Employers must register an employment contract in a form determined by the Labor Office.

Employment is governed by Labor Law 12/2010.

Registration with the Tax Department

All companies must register with the Tax Department under Income Tax Law 7/2010 and get a unique tax file number.

Opening a file at the Tax Department requires the submission of:

- ▶ Covering letter requesting the opening of a file
- ▶ Tax Department Application Form 1
- ▶ Copy of business license issued by Ministry of Economy
- ▶ Copy of registration at Trade Register
- ▶ Copy of Company's Articles of Association

A certificate of registration will be issued.

A notification letter stating the name of the employee or employees, along with the corresponding salaries and starting date of employment, should be submitted. Taxes are payable from date of entry into Libya.

The Law requires that companies must register and pay payroll taxes at the local Tax Department in which work is undertaken. It is possible to register to pay payroll taxes at more than one local Tax Department.

There is no company or personal registration fee.

Registration with the Social Security Department (INAS)

All companies must register with INAS under Social Security Law 13 of 1980 and get a unique reference number.

EY contacts

Mouad Aoun

T: + 218 21 361 8595

E: mouad.aoun@ly.ey.com

Haroun Abosowa

T: + 218 21 361 8595

E: haroun.abosowa@ly.ey.com

Opening a file at the Social Security Department requires the submission of:

- ▶ Covering letter
- ▶ Department application forms
- ▶ Submission of a letter stating the gross salary of the Branch Manager and the Libyan Public Relations Officer (PRO)
- ▶ Submission of details of the Branch's bank to include the bank account number
- ▶ Branch address

Each employee is given an INAS number and will be issued a registration card.

A certificate of registration will also be issued.

Thereafter, a company letter stating the names of the other employees, along with the corresponding salaries and starting date of employment, must be submitted to the Department. A copy of the labor contract, as registered with the Labor office, must be attached. Each employee is given an INAS number and card.

There is no company or personal registration fee.

INAS provides health and retirement benefits to both national and foreign employees.

After five years of continuous employment and subject to stringent conditions, a foreign employee may recover a small proportion of deductions upon leaving the country.

Ongoing compliance requirements

Tax Department

A monthly filing must be made by the company on Form No. 7 and the company is responsible under the Income Tax Law for deducting taxes and paying them to the Tax Department. Form No. 7 must be accompanied with a summary covering letter setting out the amounts payable.

Taxes must be filed within 60 days of month end plus a 15-day grace period. Late payment penalties of 1% per month (up to a maximum of 12%) apply to late payment of taxes.

Payment must be by certified bank check or by direct bank transfer.

A receipt will be issued for the amount paid.

There is no requirement for an employee to file a tax return if his or her employment is his or her only source of income, and there are no annual requirements on a company.

Taxes are payable by all employees, both Libyan and resident foreigners, on income arising from employment in Libya under Income Tax law 7/2010. The annual rates of personal tax are:

First LYD 12,000	5%
Balance	10%

A deduction of 1% of gross salary is made as a contribution to the "Social Unity Fund".

Jihad Tax is imposed by Law 44/1970 and subjects gross salary to tax at 3% on income over LYD100 per month (the minimum wage is now LYD450 per month).

All individuals are granted a personal allowance of LYD1,800 for a single person, LYD2,400 for a married person and LYD300 per child. In order to obtain the married or married with children allowance, an expatriate's wife or family must be resident in Libya.

Foreigners should not undertake employment in Libya if they do not have a work visa.

Social security (INAS)

A monthly filing must be made by the company and it is responsible for deducting the employee's contribution and paying it to INAS.

Social security is payable by all persons, resident and working in Libya, under Social Security Law 13/1980, as amended. The contributions are computed on gross income as follows:

	Branch	JV
Employee's contribution	5.125%	5.125%
Employer's contribution	15.325%	14.350%
Government contribution		1.025%
	<u>20.50%</u>	<u>20.50%</u>

Reduced rates apply for Maltese and some other nationalities.

Social security must be filed within 10 days of month end but there are no late payment penalties.

There is no requirement for an employee to file any documentation regarding his or her contributions.

2. Pension requirements

Registration requirements

The monthly social security payment includes an amount of contribution to the state pension.

State pensions and health entitlement are governed by the Social Security Law.

After five years of continuous employment and subject to stringent conditions, a foreign employee may recover a small proportion of deductions (a proportion of the pension-related element of the monthly payment) upon leaving the country.

The pension is payable upon retirement by the Social Security Fund (on the basis of either age or years of employment) and is a proportion of the final three years of salary.

3. Employment obligations

Conditions of Employment are set out in Labor Law 12/2010.

In addition to the minimum wage, employers must provide the minimum leave entitlement set out in the law.

The minimum requirements are 30 days paid annual leave per year and 45 days if the person is over 50 years of age or after 20 years of employment.

An employee is entitled to 45 days of paid sick leave if continuous, and 60 days in total, per year.

Maternity leave is payable up to three months.

A variety of other benefits are payable to employees.

Termination indemnity based upon years of employment may also be payable, subject to certain conditions.

4. Payroll requirements

Both the Social Security and Labor Law state that an employee is entitled to receive a monthly pay slip.

5. Banking requirements related to payroll

Payroll payments can be paid by one or a combination of:

- ▶ Cash
- ▶ Check payable to the employee
- ▶ Electronic funds transfer

If paying wages by cash, the employer and employee should sign a record to confirm the amount of money that has been paid.

Lithuania

L



1. Government requirements

Registration requirements

Registration with the State Social Insurance System (SSIS) and State Tax Inspectorate (STI)

After the legal entity is registered in the commercial register of Lithuania, the information is sent to SSIS and STI. Access to the SSIS portal and STI systems (My STI, an online services area where relevant personal information is provided to the taxpayer, and EDS, an online declaration system, with an area where tax forms should be submitted) is automatically given to the company manager, who can assign other representatives to access these tools. All companies, regardless of their chosen form of business, should communicate with SSIS via the portal and with STI via My STI and EDS. The respective tax returns and statements should be submitted in the SSIS portal and EDS system, pursuant to the tax statutory deadlines. These processes are described by the Law of the Republic of Lithuania on State Social Insurance and Government regulations and by the Law of the Republic of Lithuania on Personal Income Tax (PIT).

Employment contracts

An employer and an employee shall establish a mutual legal employment relationship by concluding an employment contract. With an employment contract, the employee undertakes to perform specific work, subject to specified working procedures and orders of the employer, while the employer undertakes to pay the agreed work remuneration and to ensure fair and safe working conditions that are not harmful to health.

The provisions of the Labour Code of the Republic of Lithuania shall apply to contracts of employment.

Ongoing compliance requirements

Personal Income Tax (PIT)

This must be paid by all natural persons who are domestic taxpayers (residents) and who have obtained income in the Republic of Lithuania or foreign states during the taxation period (calendar year). Nonresidents' income earned physically being present in Lithuania could also become subject to PIT. The standard PIT rate in Lithuania for 2021 and later is 20% and it is governed by the Law of the Republic of Lithuania on Personal Income Tax. Usually, PIT from salaries is calculated, withheld and paid by the employer.

The income of employee that exceeds 60 statistical average salaries per year 2021 and later shall be taxed at a higher 32% PIT rate. Individuals are responsible for additional PIT payments (all that exceeds 20% rate), there is no obligation to employers to follow annual employees' incomes and deduct higher rate of PIT from monthly payments. However, employees could submit request to tax their incomes with higher rate by employers. In case the standard PIT rate (20%) is applied to the employee's income on monthly basis and next year, after submission of the annual PIT declaration, the employee pays the difference between the employer's calculated PIT and the PIT calculated (recalculated) by the tax administrator (considering increased tax rate).

EY contacts

Andrius Jurele

T: +370 682 36578

E: andrius.jurele@lt.ey.com

Viliune Cibulskaitė

T: +370 620 74148

E: viliune.cibulskaitė@lt.ey.com

Rita Genyte

T: +370 527 42181

E: rita.genyte@lt.ey.com

Roberta Semionova

T: +370 629 10595

E: roberta.semionova@lt.ey.com

PIT reporting

Reports on PIT are required from the State Tax Inspectorate and the regulations are described in Personal Income Tax Law of the Republic of Lithuania.

Every month, not later than the 15th calendar day, the employer shall submit the PIT report on monthly paid salaries. The PIT report should include the taxable amount, the PIT from salaries paid until the 15th calendar day of the previous month and the PIT from salaries paid from the 15th to the last calendar day of the previous month, and the total PIT amount (20%).

Annual PIT report

An annual PIT report for the tax period (one year) shall be submitted by the next tax period (calendar year) – by 15 February.

The annual PIT report should include: the taxable amount, the PIT amount per year for each employee, the sum of particular payments that are not subject to PIT or are exempted (e.g., daily allowance for business trips, amounts paid by the employer for the employee's private health and accident insurance, prizes and gifts) and the employee's personal code.

Social security contributions (SSC)

The standard rate is 21.27% and this is calculated from employees' monthly gross income. SSC is divided into two parts – the employee's part (from 19.50% to 22.50%) and the employer's part (1.77%). For fixed-term employment contract, the employer's tax part is 2.49%.

The social security contribution ceiling is applied when employee incomes reach 60 average salaries in 2021 and later. When this limit is reached, the applicable social insurance tax rates decreases since only compulsory health insurance contributions (6.98%) are accounted.

The SSC is calculated and paid by an employer. The general rules of SSC calculation and application are described in the Law of the Republic of Lithuania on State Social Insurance and Government regulations.

SSC reporting

The information regarding insurance for the accounting period is obtained from the state social insurance system and the regulations followed are described by the Ministry of Social Security and Labor.

Every month, not later than the 15th calendar day, the employer shall submit the statutory report on monthly calculated salaries. The social security taxes return should include: the number of employees, the taxable amount, the social security contribution amount (comprising an employee contribution from 19.5% to 22.5% and an employer contribution of 2.17% as well as guarantee fund

contribution of 0.32%) and employee information (personal code, social contribution code).

2. Pension requirements**Registration requirements**

When an employee is registered in the state social security system (SoDra), he or she is automatically registered for state pension accounts. There are no additional requirements.

Ongoing compliance requirements**The pension system in Lithuania**

There is a three-tier pension system in Lithuania. The pensions for working people who pay social insurance contributions are guaranteed by the state social insurance system. Paid contributions are used for the payment of first tier old age pensions to the existing generation of pensioners. Every month, 21.27% of contributions from an employee's salary are paid for social insurance: 12.52% is paid by the employee and 1.77% by the employer, and 6.98% is also paid by the employee for health insurance.

The social insurance contributions of those who participate in the second pension tier, through their chosen fund managers, are invested into the financial market and saved for their future pensions. However, once you have participated in this system, you cannot choose not to (except valid reason). Since 2019 (tax reform), a person who builds a reserve for retirement is able to transfer a sum which constitutes 3% of his or her monthly wage, while the state contributes by paying a contribution of 1.5% of the national average wage. Those who have not been involved in the pension scheme up until now, have the opportunity to increase the contribution gradually: 2.4% contribution in 2021, 2.7% in 2022, and 3% in 2023. All participants have the opportunity to contribute a sum in excess of 3% of their wages.

The third pension tier provides the possibility for every individual to choose to create additional savings for his or her pension in private insurance funds by accumulating periodically. This accumulation method is subject to an individual income tax benefit. In addition, the employer can pay the whole or a part of the contribution. Participants who opt for additional contributions will be subject to personal income tax relief. Said relief will also be available to employers who pay pension contributions on their employees' behalf.

3. Employment obligations

Minimum wage

The minimum monthly salary in Lithuania is determined by the Government. Since 2022, it has been EUR730 for normal working hours of 40 hours per week and it is being reviewed every year. The minimum monthly salary in 2023 is EUR840. The minimal monthly salary in 2024 will be increased to EUR924.

Annual paid leave

Annual leave shall be calculated in working days and granted to an employee for rest and rehabilitation

irrespective of the job designation. The minimum annual leave is 20 working days. After ten years of continuous employment, employees are entitled to three more working days off. Every five years of employment thereafter provide employees with one additional working day off. Annual leave of 25 working days shall be granted to:

- ▶ Employees under 18 years of age
- ▶ Employees who are single parents, raising a child before he or she has reached the age of 14 or a disabled child before he or she has reached the age of 18
- ▶ Disabled persons
- ▶ Other persons provided for by law



By agreement of the employee and the employer, annual paid leave in the current year may be granted in parts, but one part of the leave in the current year shall not be less than 10 uninterrupted working days or two uninterrupted calendar weeks. In exceptional cases when the granting in the current year of the full annual paid leave to an employee may adversely affect the normal course of activities, it is permitted for the employee to transfer part of the leave to the subsequent year, with their written consent. Extended annual leave of up to 41 working days shall be granted to certain categories of employees whose work involves greater mental and emotional strain and professional risk, as well as to those employees who work

in specific working conditions. Additional annual leave days are granted to employees working in conditions which are not in conformity with normal work conditions, for long uninterrupted periods of employment, for special kind of work. The annual leave system is supervised by Lithuanian Labor Code (Articles 125-138). The annual leave period and unused vacation days are calculated in working days.

Categories of special-purpose leave

Special-purpose leave shall be maternity leave, parental leave before the child is three years of age, educational leave, sabbatical leave, leave for performance of official or



public duties and unpaid leave (see Lithuanian Labor Code Articles 137).

Additional privileges for persons raising children

Employees who are raising a child with disabilities before he or she has reached the age of 18, or two children before they reach the age of 12, shall be granted an additional day of rest per month or their weekly working time shall be shortened by two hours. Employees who are raising three or more children under the age of 12 shall be entitled to two additional days of rest per month or their weekly working time shall be shortened by four hours and shall still be paid at the rate of the average wage (Lithuanian Labor Code Article 138, part 3.)

Employees who are raising one child before the child reaches the age of 12, shall be granted an additional day of rest once in three months (valid since 1 August 2022).

Breaks in work

As well as annual vacation, breaks in work are regulated by Labor Code. Daily and weekly rest time differs according to the type of employment (e.g., normal working hours, part-time work or summary working time).

4. Payroll requirements

There are three mandatory payroll taxes calculated and paid from salaries in Lithuania. Personal Income Tax and Social Security Contributions have been described in this guide. The third is an unemployment risk fee. The fee for one reporting month is 0.32% for each employee with whom the company has an employment relationship. The company, on a monthly basis, calculates and pays the risk fee into the State Budget. Unemployment risk fee is supervised by the social insurance system (SoDra).

An employer has a duty to pay work remuneration no less than twice a month, unless they and the employee have agreed on payment of work remuneration once a month. Working hours and wage accounting documents, and documents related to employees' personal information, must be stored for 50 years.

Pay slips

When paying work remuneration, an employer shall issue a written calculation of the work remuneration in which the remuneration disbursed, the taxes deducted and the mandatory state social insurance payments made, as well as the hours worked, including overtime hours, the hours worked at night and on public holidays, have been specified.

The employer has a duty to explain these calculations upon the request of an employee.

5. Banking requirements related to payroll

Payment requirements are described in the Labor Code. Work remuneration in accordance with the Labor Code, Article number 139, shall be calculated and paid in only non-cash payments (bank transfer).

Luxembourg

L



1. Government requirements

Registration requirements

Employer's obligation

The company has to first register with the social security authorities by filing the dedicated form ("déclaration d'exploitation" in French). Luxembourg's social security authorities will then provide the company with a social security number. The employer has to register with the social security authorities within eight days, starting from the date the first employee is employed.

In addition, for every newly hired employee to be covered under the Luxembourg social security scheme, the employer has to register the employee with the social security authorities by filing the dedicated form ("déclaration d'entrée pour salarié du secteur privé" in French). The employee will then be attributed a social security number (if one does not already exist). This number is always built as follows: year of birth, month of birth, day of birth plus an additional three digits allotted by the authorities (e.g., for someone who is born on 10 Feb 1976, it would be 1976 0210 XXX). The registration of each new employee is to be done within eight days, starting from the joining date of the employee as mentioned in the employment contract.

Both of the above mentioned forms are to be sent to "Centre Commun de la Sécurité Sociale, Département Affiliation, L-2975 Luxembourg". It generally takes up to four weeks to have the registration process completed (for both the company and the employee).

No specific formalities have to be followed to register the company with the Luxembourg tax authorities in charge of withholding tax ("Service d'imposition - Section RTS, retenue d'impôt sur les traitements et salaires" in French). The first withholding tax return on salaries filed by the company will serve as a registration. The competent Retenue d'impôt sur les Traitements et Salaires (RTS) office at which the employee has to register will depend on the Luxembourg town where the company is located.

Employee's obligations

Tax card

At the beginning of the employment contract, the Luxembourg tax authorities will deliver a tax card to the employee. This card consists of all the necessary information regarding the amount of withholding tax which is to be levied on his or her remuneration.

The tax card is delivered automatically to employees after the employer completes the registration process with the social security authorities, regardless of whether the employee resides in Luxembourg or not. The tax card will no longer be applicable once the employee is deregistered by the employer. For new registration, a new tax card will be issued.

Until 30 April 2021, a new tax card was automatically issued based on the card issued in the previous year.

Introduction of electronic tax cards

As from 1 May 2021, the tax cards are issued by the tax authorities electronically and the employers have access to the new electronic platform which has been set up by the Tax Authorities via myGuichet.lu.

EY contacts

Christophe Joosen
T: +352 691 122 945
E: christophe.joosen@lu.ey.com

Damien Pauly
T: +352 42 124 7254
E: damien.pauly@lu.ey.com

Laurence Chatenier
T: +352 42 124 7181
E: laurence.chatenier@lu.eylaw.com

Previously, the tax cards were prepared by the competent RTS tax offices and they were sent to the employee. Hence, the employee had to provide his employer with his tax card, now it will be automatic on the platform.

2021 was a transitional year. The electronic process is fully operational from 2022 where tax cards are made available electronically to employees exclusively. For employees who do not have any profile on the platform, myGuichet.lu, the tax card is sent via mail to his or her physical address.

The tax card is now pluriannual, i.e., it will not have any end date (except for employees under an employment contract with limited duration).

Pluriannuals cards

- ▶ Tax cards issued between January and April 2021: end dates were still mentioned (either 31 December 2021 or end of the employment contract for the ones concluded with limited duration)
- ▶ Tax cards issued after 1 May 2021: end dates were no longer mentioned except for employees under an employment contract with a limited duration. Such tax cards will be valid till an event leads to the change of a data mentioned in the card (e.g., change of employer, change of marital status, etc.)

The employees who received the 2021 tax card before 1 May 2021 should have received the pluriannual tax card normally early 2022.

What it means for employers

From May 2021, the employers have received a letter from the tax authorities, including credentials together with two tokens, to enable them to access the platform. The first token is deemed to be kept by the employer and the second token to be shared with the external payroll provider (if any).

From 1 January 2022, it becomes mandatory for the employer to consult and download the tax cards of employees and/or pensioners on a recurring monthly basis. If the employer (or payroll provider) does not consult the tax cards section on the tax authorities platform and new or adjusted tax cards have been uploaded, penalties may be levied by the tax authorities.

What it means for employees

Employees can have access to their individual tax documents via their private profile in myGuichet.lu. The documents available are the tax card, the individual tax assessments, tax prepayments and tax statements.

To have access to such documentation, the employee must subscribe to this option in her or his private profile in myGuichet, and a LuxTrust card is then required.

Until 31 December 2021, the employees will still have to remit physically their tax cards to her or his employers.

From 1 January 2022, the employees do not have to remit their tax card, since it will be put automatically at the disposal of the employer by the tax authorities via myGuichet.

Any changes in the employee situation (change of marital status, change of employers, etc.) will lead to the issuing of a new tax card. In the case the date in the electronic tax card is not correct, a tax card adjustment request will have to be filed by the employee.

It is recommended that the employee carefully verify the data mentioned in the tax card since it will be used by the employer to run his or her payroll. In case a change is to be made, Form 164 has to be completed and filed to the competent withholding tax office (for a Luxembourg resident, it depends on the town where the employee is living and for a Luxembourg non-resident, the competent tax office is the office RTS non-residents in French).

Tax classes

The Tax card notably includes the tax class under which the employee is classified and will influence the way the withholding tax is computed.

Tax class 1: It is applicable to individuals under 64 years of age as on 1 January of the tax year and who are single, separated or divorced without children.

Tax class 1a: It is applicable to widows with or without children; individuals who are at least 64 years of age as on 1 January of the tax year and who are single, separated or divorced with children.

Tax class 2: It is applicable to married couples who are jointly taxable, or widowed, separated or divorced individuals who have been single for less than three years.

When several employment activities are performed in the same tax household, a fixed rate is granted on the second and subsequent employment activity (note that the first employment activity leads to the application of the above tax classes).

From the tax year 2018, married couples residing in Luxembourg have the opportunity to opt to be taxed separately. They can either opt for a single tax payment (with tax class 1 applicable) or separately with reallocation of income (with an average tax rate determined based on household income and tax class 2 applicable - the average rate determined is then indicated on the tax card).

For married couples who are not residing in Luxembourg, tax class 1 is automatically applied, unless assimilation as a Luxembourg resident is jointly asked for (average tax rate is determined based on household income by applying tax class 2, the average tax rate determined is indicated on the tax card). There are some conditions that have to be fulfilled by the nonresident married couples to be able to request for joint taxation (e.g., at least 90% of the worldwide income of one spouse is taxable in Luxembourg).

In both cases, Forms 164, 165 and 166 have to be completed and filed to the competent individual withholding tax office (for a Luxembourg resident, it depends on the town where the employee is living and for a Luxembourg nonresident, the competent tax office is the office RTS nonresidents in French).

Ongoing compliance requirements

a. Tax formalities

i. General comments

Salaries paid by Luxembourg employers are generally subject to monthly salary withholding tax (e.g., employee working in Luxembourg on a full-time basis).

The employer is responsible for withholding and paying taxes in a correct and timely manner. The salary subject to withholding tax includes all benefits granted by the employer in cash or in kind, and is computed during the month the compensation or benefits are paid or granted.

Non-recurrent payments (e.g., bonus, 13th month, etc.) are subject to a specific withholding tax scale (non periodical withholding tax scale). Those payments are normally taxed at the employee's marginal tax rate (i.e., the one already reached with the base salary). Non recurrent payments are reported on separate pay slips.

The withholding tax is computed based on the withholding tax card provided by the employee to the employer (see section related to employee requirements for tax purposes). If the tax card is not available to the employer, he has to apply a flat withholding rate of 33% (or apply the tax scale for a single taxpayer if less favorable than the flat rate).

The employer should declare and pay the withholding tax to the Luxembourg tax authorities ("bureau de recette" in French) latest by 10th of the month following the month of payment (e.g., the withholding tax corresponding to the salary paid in January must be declared and paid on 10 February) using Form 950 ("déclaration de la retenue d'impôt sur les rémunérations et crédits d'impôt" in French).

With every automatic salary increase above a certain level of inflation, employees also automatically slip into a higher tax bracket from time to time. But the tax table has not

been corrected since 2017, despite the fact that there have already been six salary indexations since then. The tax table will not be adjusted by two and a half levels until 2024. Therefore, a tax credit will come into effect in 2023.

This measure is to improve the purchasing power of workers, pensioners and their families. All employees and pensioners benefit from the tax relief. It is temporary and will disappear on 1 January 2024, when a new and more favorable personal income tax scale comes into effect. It will appear each month on the pay slips up to and including December 2023. The tax credit has been included with retroactive effect back to January 2023, net salaries in July will therefore be exceptionally higher.

ii. Specificities for nonresident employees

The Organisation for Economic Cooperation and Development (OECD) model convention and most of the double tax treaties signed between Luxembourg and foreign countries foresee that nonresident individuals who are employed by a local company and who perform their professional activities in Luxembourg are taxable on the remuneration related to workdays carried out in Luxembourg only. And, the remuneration related to any workdays on which a nonresident employee is not performing on the Luxembourg territory should not be subject to withholding tax in Luxembourg, and it is the employer's responsibility to withhold taxes accurately.

From a more practical point of view, the remuneration related to foreign workdays has to be exempted (only tax) from the payroll so that withholding tax is not computed on such amount. In such cases related to foreign workdays, specific withholding tax scale (daily salary withholding tax scale) is to be applied. Exempted remuneration has to appear on a separate line in the payslip (under the caption "other exemptions").

Also, under such specific circumstances, the payroll is to be run based on a travel calendar.

Double tax treaties concluded between Luxembourg and respectively Germany, Belgium and France, provide a maximum number of working days which can be spent outside Luxembourg by a nonresident while remuneration stays fully taxable in Luxembourg For German, Belgian and French resident, it is 34 days.

It will be then be the employee's responsibility to file a tax return in his or her home country (or countries where his or her activities have been performed), so that all remuneration is duly subject to tax. There is a specific rule in France leading to the obligation for the Luxembourg employer to remit withholding tax to French authorities

on the portion of the salary which is linked to French working days (when activities outside Luxembourg exceed the threshold days mentioned above).

b. Social security formalities

Every month, the social security authorities issue a "monthly salary report" in which the employer needs to report the remuneration (benefits-in-kind (BIK) included) paid out to each employee and the related number of hours of work.

On the basis of this information, the social security authorities will compute the amount of contributions due (by both the employer and the employee) and address a bill to the employer. Within 10 days of receiving such a bill, the

employer has to pay both the employer's and employees' contributions to the social security authorities. It is the employer's responsibility to withhold the accurate amount of social security contributions due by the employee, on his or her remuneration.

It is worth mentioning that in Luxembourg, social security contributions (on both the employee and employer) are capped over a monthly salary of EUR12,854.64 (ceiling applicable from 1 September 2023).

c. Overview of wage taxes (withholding tax and social security contributions)

Employee taxes					
Name of tax	Type of tax	Wage ceiling or exemption	Rate of tax	Agency receiving payment	Additional comments
Withholding tax	Wage tax	There are no ceilings.	The Luxembourg marginal rate is 44.94% (or 45.78%)	Administration des Contributions Directes (RTS)	The marginal rate can vary depending on unemployment fund contributions (7% or 9%). The wage tax changes as from 2024. There will be additional tax brackets but the margin on the brackets will stay the same.
Unemployment fund contribution	Income tax	There are no ceilings.	7% or 9%	Administration des Contributions Directes	For income not exceeding EUR200,004 for taxpayer in tax class 1 (or EUR400,008 for taxpayer in tax class 2) at 7% rate is applicable, then for the part above, at 9% rate is applicable.
Dependence insurance	Social security	There are no ceilings.	1.4%	Centre Commun de la Sécurité Sociale	It is payable by the employee on total gross income after a monthly deduction of EUR578.34.

Note: The amounts and rates stated are subject to change at certain times during the year.

Employee taxes					
Name of tax	Type of tax	Wage ceiling or exemption	Rate of tax	Agency receiving payment	Additional comments
Pension	Social security	From 1 September 2023, the monthly ceiling is capped at EUR12,854.64.	8%	Centre Commun de la Sécurité Sociale	Social security contributions apply to wages and salaries, and must be withheld by the employer.
Illness	Social security	From 1 September 2023, the monthly ceiling is capped at EUR12,854.64.	3.05%	Centre Commun de la Sécurité Sociale	Social security contributions apply to wages and salaries, and must be withheld by the employer.
Pension	Social security	From 1 September 2023, the monthly ceiling is capped at EUR12,854.64.	8%	Centre Commun de la Sécurité Sociale	None
Illness	Social security	From 1 September 2023, the monthly ceiling is capped at EUR12,854.64.	3.05%	Centre Commun de la Sécurité Sociale	None
Accident	Social security	From 1 September 2023, the monthly ceiling is capped at EUR12,854.64.	0.72% to 2.84%	Centre Commun de la Sécurité Sociale	The rate varies depending on the cost of work accident incurred for each employer.
Health at Work	Social security	From 1 April 2022, the monthly ceiling is capped at EUR11,566.88.	0.14%	Centre Commun de la Sécurité Sociale	The Health at Work tax is payable only by employers that are members of the National Service for Health at Work.
Mutual insurance	Social security	From 1 April 2022, the monthly ceiling is capped at EUR11,566.88.	0.6% to 2.98%	Centre Commun de la Sécurité Sociale	The rate varies depending on the risk class of the employer base don the rate of absenteeism of the employees.

Note: The amounts and rates stated are subject to change at certain times during the year.

Year-end formalities

Closing of the payroll

At the end of the year, once all salaries are booked, all the salary accounts and the payrolls have to be closed. The employer has to fulfil the following year-end payroll formalities:

- ▶ Filling in the employee's annual certificate of remuneration (Form 160, "certificate de salaire, de retenue d'impôt et de crédits d'impôts bonifiés" in French); and
- ▶ Fulfilling all the information mentioned in the certificate of remuneration in the tax authorities' online tool before 1 March of the following year in which the annual salary payment was made. For nonresidents, the employer will have to mention whether the employee has worked fully, partially or not at all on the Luxembourg territory. In case the employee worked partially on the Luxembourg territory, the number of days effectively worked in Luxembourg is to be reported. This part is really important since the Luxembourg tax authorities will automatically exchange the information with the tax authorities of the employee's country of residence.

Audit payroll

On an average, the tax authorities (bureau RTS) verify the regularity of the withholding tax made on salaries every three years. The purpose of such audit is to check whether the remuneration (whatever be their kind) of all employees have been duly subjected to withholding tax. They control if the amounts of withholding tax calculated, declared and paid are correct. To do so, tax authorities will re-do the payroll calculations and compare their results with the withholding tax payments made by the employer.

In such a situation, the employer will have to provide the tax inspector with all relevant payroll documentation e.g., tax cards delivered by the employees and salary ledgers in order to enable the tax inspector's review, for all years not audited so far. The salary ledgers must mention all items paid to the employees (i.e., gross remunerations as well as taxable BIKs).

Penalties

Failure	Penalties
Late filing of income tax returns (§168 (2) General Law)	Increase of up to 10% of the tax due
Intentionally incomplete or incorrect tax returns or non-declaration (§166 (3) General Law)	"- Administrative fine of maximum 25% and minimum 5% of the tax evaded or wrongfully obtained reimbursement - Extension of the statute of limitation from five to 10 years even in absence of intention "

Failure	Penalties
"Unintentional reduction of tax burden (negligence) (§402 (1) AO)"	Administrative fine of maximum 25% and minimum 5% of the tax evaded or wrongfully obtained reimbursement
Intentional tax fraud (§396 (1) AO)	Administrative fine of maximum 50% and minimum 10% of the tax evaded or wrongfully obtained reimbursement
Non-compliance with orders or instructions given by tax authorities within the assessment process (e.g., filing of tax return within a given deadline) (§202 (2) General Law)	Fine of up to EUR25,000
Late payment of taxes (article 155 Income Tax law)	Interest of 0.6% per month

Obligation to retain payroll documents

Based on Luxembourg legislation, companies have the obligation to save or archive its documentation for at least 10 years.

2. Pension requirements

Registration requirements

There is no obligation for a Luxembourg employer to implement a second pillar pension plan. The only requirement here is to contribute to the state pension (see table above). Although a second pension plan is not mandatory by law, most employers offer a second pillar pension plan (depending on the size of the employer). The occupational pension scheme in line with Luxembourg legislation is subject to a specific tax treatment.

Ongoing compliance requirements

In case the provisions of the law are complied with, specific tax treatment applied on employer contributions include:

Employer's contributions subject to a flat 20% withholding tax plus a surcharge of 0.9% for financing of the supervisory authorities.

- a. The flat tax and the surcharge are payable by the employer.
- b. Benefits paid out are tax exempt in the hands of resident taxpayers.

In case the pension scheme is not approved by "IGSS" (Luxembourg social security bodies in charge of control) - taxation as salary, and other tax implications have to be considered.

Employee contributions to a recognized occupational pension scheme can be deducted directly in the Luxembourg payroll. The maximum amount that can be deducted annually is EUR1,200.

3. Employment obligations

Employment contract

In Luxembourg, an indefinite-term employment contract is generally used. The employee must be provided with essential information, such as identity of the employer, title and duties, place of work, working time and remuneration.

Fixed-term employment contracts are also possible, but they are strictly regulated by the Luxembourg Labor Code and are limited to specific cases (such as replacement of an absent employee and exceptional increase of business). A fixed-term employment contract must be written and delivered to the employee within the first two days of work.

Paid holidays

According to the Luxembourg Labor Code, full-time employee benefits start with a minimum 26 working days per year since 2021.

Additional paid vacation days may be granted by the collective bargaining agreements or the employers. For example, the collective bargaining of the banking sector grants 8.5 additional paid vacation days.

Vacation rights are expressed in working days for full-time workers and are expressed on a pro rata basis in hours for part-time workers.

Working time

The normal working time is 40 hours per week with a maximum overtime of two hours per day and eight hours per week.

Overtime is subject to a prior notification to the labor authorities and also with a specific compensation in rest or payment with increased rates.

Work on Sunday is prohibited, unless under certain circumstances or for specific sectors; for which specific compensation should be paid.

Minimum wages

As of 1 September 2023, the minimum monthly gross salary for unqualified employees amounts to EUR2,570.93. For qualified employees, it amounts to EUR3,085.11.

Indexation of the wages

An automatic increase of salaries called Index is provided by the Luxembourg Labor Code.

This automatic increase occurs only when the average cost of goods increases by 2.5% over a certain period. If

such an "inflation rate" is observed by the Luxembourg Statistics Agency, then the Government triggers the index mechanism and all the wages for any employee must be increased by 2.5% by the employers.

This general increase of salaries is mandatory and cannot be avoided by the employers, even if the employee would accept to do so. The last general increase occurred on 1 September 2023.

4. Payroll requirements

According to the Luxembourg Income Tax Law, the implementation of a payroll is mandatory for local employers and foreign employers under certain conditions (notably if the foreign employer has a Permanent Establishment (PE) in Luxembourg and to a lesser extent when an economic employer exists in Luxembourg). At the end of each month, a monthly salary pay slip has to be delivered to each employee. Such a salary pay slip has to show each taxable compensation item (i.e., gross remuneration and BIK), the amount of employee's social security contributions paid and the amount of tax withheld.

The employer is the only point of contact toward the Luxembourg tax and social security authorities in the sense that it is responsible for declaring and remitting withholdings (tax and social security) made on the employee's remuneration.

5. Banking requirements related to payroll

An extensible markup language (XML) file for processing salary payments can be generated by a payroll software. Companies can then upload the XML file in their banking tool. There is no obligation to have the net salaries paid to a Luxembourg bank account. Foreign bank accounts for the employer and employees are accepted, and only valid International Bank Account Number (IBAN) number and swift code are needed in order to prepare payroll bank files. The net salaries have to be on the employees' bank accounts before the end of the month for which the salary is paid (e.g., salary for the month of January should reach the employee bank account before 31 January).

The Luxembourg law does not impose any currency. The parties may agree on the currency and in practice wages are very frequently paid in Euros.



1. Government requirements

Registration requirements

Registration with statutory bodies

Social Security Organisation (SOCSO)

SOCSO was formed under the Employees' Social Security Act 1969 and is entrusted with the administration of social security schemes to provide protection to employees against contingencies such as invalidity and employment injury. Employers and their employees must be registered with SOCSO not later than 30 days from when the Employee Social Security Act becomes applicable to the employer and its employees. Registration of the employer and employee is done via Form 1 and 2 respectively, together with supporting registration documents in accordance with the business entity type.

Malaysian Inland Revenue Board (MIRB)

All employers are required to register with MIRB and obtain an employer tax reference number. The employer is required to complete and submit Form 600E together with supporting documents such as the Certificate of Incorporation issued by the Companies Commission of Malaysia or a Business Registration Certificate.

Employers are also required to notify the MIRB of the commencement of new employees within 30 days from the relevant employee's commencement of employment. This is done by completing and submitting Form CP22.

Employment Insurance System (EIS)

The Employment Insurance System (EIS) is a financial scheme aimed at helping employees who have lost their jobs until they find new employment. The contributions are being collected in a fund to provide financial assistance to retrenched employees. It also aims to provide extended welfare coverage and aid in job search via career counselling and job-hunting assistance.

Human Resources Development Fund (HRDF)

The PSMB Act 2001 imposes collection of a human resources development levy for the purpose of promoting the training and development of employees, apprentices and trainees, the establishment and the administration of the Fund by the Corporation and for matters connected therewith.

Ongoing compliance requirements

Contributions to SOCSO

Employer and employee contributions to SOCSO are compulsory for Malaysian citizens. Contributions are capped at the wages ceiling of RM5,000 (wages above RM5,000 attracts no further contributions). Various rates are specified for SOCSO contributions.

Employers who hire foreign workers have to contribute to SOCSO. The rate of contribution is 1.25% of the insured monthly wages of the foreign workers (excluding domestic helpers) and to be paid by the employers.

The deadline for payment of SOCSO contributions in respect of each month is the 15th day of the following calendar month.

EY contact

Jaclyn Tan
T: +603 7495 8404
E: jaclyn.tan@my.ey.com

Employee's monthly tax deductions to the MIRB

Every employer is responsible to deduct Monthly Tax Deductions (MTD) from their employee's remuneration each month, in accordance with the Schedule of Monthly Tax Deductions or Computerised Calculation Method. Deductions must be made from all remuneration (i.e., wages, overtime payments, commissions, tips, allowances, bonuses, benefits-in-kind, living accommodation, etc.).

The deadline for payment of MTD to the MIRB in respect of each month is the 15th day of the following calendar month.

Contributions to EIS

The contribution rate for EIS is 0.2% for the employer and 0.2% for employee based on the employee's monthly salary.

The contribution rate is based on Section 18 and Schedule 2 of the Employment Insurance System Act 2017.

The deadline for payment of EIS contributions in respect of each month is the 15th day of the following calendar month.

Contributions to HRDF

Employers with five to nine Malaysian employees are given the option to register with HRD Corp and if they choose to register, the monthly levy is charged at the rate of 0.5% of the monthly wages of employees. For employers with 10 or more Malaysian employees, it is compulsory to register with HRD Corp and the monthly levy is charged at the rate of 1% of the monthly wages of employees.



2. Pension requirements

Registration requirements

Employees Provident Fund (EPF)

The EPF is a social security institution formed under the Employees Provident Fund Act 1991 (Act 452). EPF provides retirement benefits for members through management of their savings in an efficient and reliable manner. An employer must register an EPF account with the EPF Board within seven days from the date the employer becomes liable to contribute (i.e., as soon as the first individual is employed). The employer is required to complete Form KWSP1 and submit it together with supporting documents, such as the Certification of Incorporation issued by the Companies Commission of Malaysia or a Business Registration Certificate.

Employees are also required to register upon commencement of employment, for employers to make the necessary EPF contributions in respect of the employees.

Ongoing compliance requirements

Contributions to EPF

Under the Employees' Provident Fund Act 1991, all employees who are Malaysian citizens or permanent residents are required to make monthly contributions to the EPF, and employers are also required to make EPF contributions in respect of such employees. The statutory contribution rate for employer is 12% if the employee's monthly wages are above RM5,000 per month or 13% if the employee's monthly wages are below RM5,000 per month. The statutory contribution rate for an employee is 11% of his or her monthly wages.

The deadline for payment of EPF contributions in respect of each month is the 15th day of the following calendar month.

3. Employment obligations

The Employment Act 1955 (EA 1955) provides for the minimum terms and conditions of employment in Malaysia. It covers the contracting arrangements between employers and employees and specific terms and benefits such as wages, notice periods, maternity benefits, rest days, hours of work, holidays, etc. Malaysia's Employment (Amendment) Act 2022, which amends the EA 1955 has taken effect on 1 January 2023. The Employment Act salary threshold will be increased from RM2,000 to RM4,000. However, there are excluded sections for employees earning above RM4,000, which relates to

working on a rest day, overtime payments, statutory entitlement to shift allowances, working on a public holiday and statutory entitlement to termination and lay-off benefits.

It should be noted that while the scope of the Employment Act applies to employees earning RM4,000 and below, in practice most employers refer to the minimum terms and conditions required under the Employment Act, when determining the minimum terms and conditions to be offered to all employees (regardless of wage levels).

Minimum wages

The Minimum Wages Order 2022 (2022 Order) was gazetted on 27 April 2022 and came into operation on 1 May 2022.

The minimum wages rates payable to an employee with effect from 1 May 2022 shall be RM1,500, for an employer who employs five or more employees.

For employer who employs less than five employees, the current minimum wages payable to an employee who works in a place of employment in any City Council and Municipal Council areas is set at RM1,200 whereas for employees who works in any areas out of the mentioned areas is set at RM1,100. For this group of employees, the new minimum wage rates of RM1,500 came into effect from 1 July 2023.

4. Payroll requirements

Payroll payment and pay slip

Employers shall make available to each employee, particulars relating to their wages, contributions, deductions, etc. These pay slips can be provided either in electronic form or hard copy.

The employer is required to pay its employees in respect of each month, not later than the seventh day of the following month.

5. Banking requirements related to payroll

The employee's wages can be paid by one or a combination of the following:

- ▶ Cash
- ▶ Check
- ▶ Electronic funds transfer (i.e., EFT or bank transfer)



1. Government requirements

Registration requirements

Registration for a Private Employer Number

The Commissioner for Revenue is responsible for the administration of the Final Settlement System (FSS) Rules which involves the collection of employment income tax, social security and maternity fund contributions. Employers must register with the Commissioner for Revenue within 15 days from the date the first emoluments due to be paid to a payee start to accrue, and must submit an application to obtain a Private Employer (P.E.) Number. This enables the employer to withhold, remit and report emoluments. This refers to income tax and social security contributions deducted from employees' salaries, in addition to employers' social security and Maternity Fund contributions.

Employment registration

A "Declaration of Commencement of Employment" form should be completed for any new employment and submitted to JobsPlus on the same day of commencement of employment. Failure to submit the necessary documentation may result in fines.

All employees are required to complete a FS4 form within the first seven days of commencement of any new employment and whenever any material details of a current FS4 form change. Section 1 of this form needs to be completed by the employee, detailing the tax status of the employee and any tax to be deducted by the employer and Section 2 details the Employer P.E number. Once both sections are completed, the employer must submit the form to the Commissioner for Revenue, retain the second copy for audit purposes and return the third copy to the employee for his or her retention. The Fs4 form was recently revised to add new tax rates which are in effect.

There is no applicable registration fee.

Ongoing compliance requirements

There are a number of forms to be prepared by the employer as part of their FSS obligations.

- ▶ Employers are required to report gross emoluments paid to the employees, income tax and social security contributions deducted from the employees' salaries, and the employer's part of the social security and Maternity Fund contributions.
- ▶ These are payable on a monthly basis to the Commissioner for Revenue by submitting the FS5 form together with payment (if any) by the last working day of the following month after the salaries are paid.
- ▶ Every year, the employer should prepare and submit a FS7 form reporting gross emoluments paid to the employees, including a summary of taxes, social security and Maternity Fund contributions due to the Commissioner for Revenue, by 15 February of the following year.
- ▶ In addition, the employer should annually provide each employee with a FS3 form which is an individual annual document that provides a summary of gross emoluments received by that employee, all taxes and social security contributions paid throughout the year by the respective employee, and the employers' contributions too.
- ▶ The amounts on the FS7 form should reconcile to the amounts of all the FS3 forms when added together.

EY contacts

Robert Attard

T: +356 2134 2134

E: robert.attard@mt.ey.com

Christopher J. Naudi

T: +356 2134 2134

E: chris.naudi@mt.ey.com

Emanuel Farrugia

T: +356 2347 1337

E: emanuel.farrugia@mt.ey.com

Analise Debattista

T: +356 2347 1329

E: analise.debattista@mt.ey.com

Employers can honor all their tax obligations either online or by hand at the Commissioner for Revenue. Employers having 10 employees or more are obliged to submit their end-of-year FSS documents by electronic means only through the IR Services online, while those with nine employees or less have the option to submit the documents either manually or electronically.

2. Pension requirements

The Social Security Act entitles all employees who pay a minimum amount of social security contributions to a basic pension on retirement. The responsibility of such pension falls under the Social Security Department in Malta.

Statutory pension age varies according to the year of birth as follows:

Born between	Pension age
1952 and 1955	62
1956 and 1958	63
1959 and 1961	64
Born after	Pension age
1961	65

A notification letter is sent to the prospective pensioner, three months prior to pension age, requesting certain details for the award of a Contributory Retirement Pension. This notification letter is to be signed and returned to the Department of Social Security so that the pension will continue to be processed. In the case where a claimant chooses an early opt-out pension, the claimant is to apply from his or her end, as no letter of notification is issued in such cases.

The claim for retirement pension must be completed within six months of the retirement date or pension age. When the claim is not completed within this period, the pension will be payable with effect from the date on which the claim is submitted.

Certain documentation will be required for the application.

Registration requirements

Each individual can register for a social security number either at a social security office or via an online form. This number has to be provided to the employer upon commencement of work.

Ongoing compliance requirements

For every person who is employed in insurable employment, three contributions per week shall be payable in accordance

with the provisions of the Social Security Act; one by the employed person, one by his or her employer and one out of the Consolidated Fund (Government). The employee and employer contributions are to be paid on a monthly basis to the Commissioner for Revenue through the FSS.

3. Employment obligations

National minimum wage

The national minimum wage for full time employees for 2023 is EUR192.73 per week for an employee aged 18 and over.

Employees on a minimum wage will, upon completion of the first year of employment with the same employer, be entitled to mandatory increases of EUR3 per week in the second year of employment, and upon completion of the second year, to an additional EUR3 per week.

The national minimum wage for part-time employees shall be calculated pro rata at the same hourly rate of a comparable full-time employee in accordance with the relevant Wage Regulation Order.

All employees are entitled to a statutory bonus and weekly allowance.

Working hours

The standard working hours as stipulated in the Wage Regulation Orders are 40 hours per week but not exceeding a maximum of an average of 48 hours a week spread over a reference period of 17 weeks.

Regarding overtime rates, most sectors have minimum rates, which are regulated by the respective Wage Regulation Order responsible for regulating their activity of work. Normally the overtime rate is 1.5 times the normal rate for work carried out, in excess of a 40-hour week.

Vacation leave

Full-time employees who work 40 hours per week are entitled to 192 hours of paid annual leave excluding public holidays, and adjusted accordingly if the employee works fewer hours. With effect from the 1 January 2021, in the case of whole-time employees, where a national or public holiday falls on a Saturday, Sunday or weekly day of rest to which an employee is entitled, such employee shall be entitled to an additional day of vacation leave during that same calendar year in respect of each such national or public holiday. The law specifies that a minimum period equivalent to four weeks cannot be replaced by any allowances, except where employment is terminated. Upon termination from employment, an employee has the right to claim financial compensation for any balance of outstanding leave that is due.

Sick leave

Full-time employees are entitled to two working weeks per year unless their sick entitlement is covered by a Wages Council Wage Regulation Order. A medical certificate has to be presented to the employer. Once the employee exceeds this entitlement, the Social Security Department will continue to pay the sickness benefit for which he or she may be entitled.

Maternity leave

Women are entitled to maternity leave for an interrupted period of 18 weeks, from which the first 14 weeks are paid by the employer whereas the rest is paid by the State.

Employers are also obliged to allow employees to take other statutory leave, such as bereavement leave, marriage leave, parental leave, court witness leave, jury service leave, injury leave and birth leave.

Paternity leave

Paternity leave from work is allowed to all employees who are equivalent second parents, on the occasion of the birth or the adoption of a child for the purposes of providing care.

The paternity leave is of ten (10) working days, to be taken immediately after the birth or the adoption of the child, without loss of wages.

4. Payroll requirements

In Malta, payroll calculations involve the deduction of income tax and social security contributions by the employer from employees' salaries under the FSS Rules which are reported and remitted to the Commissioner for Revenue on a monthly basis. Such calculations are based on the employment contract and the applicable Maltese legislation.

Payment frequency and pay slips

Employers are required to provide pay slips to all employees either in electronic form or hard copy.

Wages are to be paid at regular intervals and shall not exceed four weeks in arrears.

Under the FSS rules, every payer shall at all times maintain up-to-date records in respect of each payee relating to emoluments and the FSS tax deductions.

5. Banking requirements related to payroll

Employees' salaries are made payable in legal tender and are typically paid by employers to their employees by either electronic transfers or check payments.

Payments for the remittance of tax and other contributions may also be effected by bank transfer or check payment to the Commissioner for Revenue.

Mexico

M



1. Government requirements

Registration requirements

Tax responsibilities for employers in Mexico include withholding federal income tax, some social tax contributions and paying social contributions housing-fund contributions, and state payroll taxes. Employers must also report to government employee's payments and tax withheld, certifying electronically each payment, and ensure that such payments comply with labor laws.

Mexico's tax authority is the Tax Administration Service (Servicio de Administracion Tributaria - SAT). SAT assigns to individuals and employers tax identification numbers (Registro Federal de Contribuyentes - RFC), which must be included on payroll reports.

Ongoing compliance requirements

To comply with labor and social security legislation in Mexico, most companies hire employees through a local subsidiary. Companies cannot employ more than 10% of foreign workers and they cannot employ anyone in a technical role that could viably be done by a Mexican. Such restrictions do not apply to general directors, administrators, and managers.

Employers must also register with the Mexican Social Security Institute (Instituto Mexicano del Seguro Social - IMSS), the Institute of National Housing Fund for Workers (Instituto del Fondo Nacional de la Vivienda para los Trabajadores - INFONAVIT), the National Workers' Welfare Fund Institute (Instituto del Fondo Nacional para el Consumo de los Trabajadores - INFONACOT) and the tax authority in the states where the employers are based for state payroll taxes.

Payroll tax (local tax)

Payroll tax is levied at state level based on where the employees are located. Rates range between 1% and 3% of employees' payments excluding some benefits as savings fund and pantry vouchers among others.

Federal withholding tax

Mexican employers must withhold federal income tax. There are 11 income brackets with rates ranging from 1.92% to 35% contained on tables based on payment frequency. Tax base comprises gross payments including salary, overtime, bonuses, commissions, seniority premiums and any other cash benefits. Fringe benefits are generally exempt with some caps. Issuance and delivery of digital pay slips called CFDI is mandatory, and it is a requirement for deductibility purposes.

Payroll records must be kept for at least five years.

Employees earning up to twice the minimum wage enjoys a subsidy granted by the government which is applied directly on the tax computation by the employer. The amount of the subsidy goes up to MXN407.02 a month.

Employees must file a tax return if they earn more than MXN400,000 in a year, or if they worked for at least two employers during a year.

Expatriates that become resident in Mexico for tax purposes must also file an annual tax return. Nonresidents do not file annual returns. If a resident's only source of income is from a Mexican employer and the compensation received is less than MXN400,000, the employer is responsible for computing the annual tax and make adjustments if necessary to the amounts withheld during the year. Annual return is electronically filed no later than 30 April.

EY contacts

Luis Beltran

T: +52 55 4186 5076

E: luis.beltran@mx.ey.com

Miguel A. Valencia

T: +52 55 1101 7261

E: miguel.a.valencia.garza@mx.ey.com

Alberto Sierra

T: +52 55 5283 1446

E: alberto.sierra.candia@mx.ey.com

Social Security

Social tax contributions are split on seven branches of contributions base known as base contribution salary (salario base de cotización - SBC). The formula comprises mainly salaries and some fringe payments. SBC has some exception related to sickness and maternity leave, and is capped up to 25 times the minimum wage¹.

Work accidents and sickness is a branch of social contributions that is computed based upon five categories depending on the risk level of the employer activity.

Employee contributions are mandatory for all workers, unless there is a tax treaty with the home country of expat employees granting exemption or credit. Employee social security is calculated on a monthly basis.

The minimum wage is used to calculate contributions. Maximum base to calculate contributions is 25 times the legal monthly minimum wage (now UMA¹). The legal daily UMA is MXN103.74 for 2023.

Housing fund contribution is 5% of SBC and paid every two months by the 17th of each month, instead of the monthly schedule used for other social taxes.

Employees who have taken a mortgage through INFONAVIT will have an additional amount deducted from their salary.

This is calculated according to a rate set by INFONAVIT who will inform of a set multiplier to the UMI rate (Unidad Mixta Infonavit). The rate is MXN96.32 for 2023.

2. Pension requirements

Both the employer and employee contribute to the mandatory pension fund.

- ▶ The employer pays 2% of SBC as contribution for retirement.
- ▶ The employer pays 3.15% of SBC contribution for unemployment and seniority insurance.
- ▶ The employees pay 1.125% of SBC as pension contribution for unemployment and seniority insurance.

Contributions to the Mexican Social Security Institute are not subject to income tax but deductible as expense. Pension payment enjoys a partial tax exemption. The excess is taxed at the applicable rate.

Employees who started working before 1997 enjoy pensions payments granted by the Mexican Social Security Institute provided that at least 500 weeks of contributions are recorded.

¹ As of 2016, minimum wage was replaced with UMA (Unit of Measure and Update) for all Social Security calculations and INFONAVIT quotes.

Mandatory pension rights transfer regardless of the employer.

Ongoing compliance requirements

Supplementary pensions

The Social Security Law provides personal supplementary arrangements, in which both the employee and/or the employer may agree to pay a greater contribution than that established by the law in order to increase the retirement funds in their personal accounts. An authorized Retirement Savings Funds Management Institution shall be hired for those purposes.

It is common, but not mandatory, for employers to provide access to supplementary pension arrangements for their employees.

While these contributions are a deductible expense for employers provided certain requirements are met, they are generally not taxable income for the employee. Depending on income, a portion of supplementary pension arrangement may be exempt from income tax.

Employers can freely determine their terms and conditions with regards to supplementary pension arrangements.

Most supplementary pension plans include a provision allowing beneficiaries to transfer their benefits to a new employer pension plan in the case of employment termination, without becoming a taxable event.

Employers can deduct a portion of pension fund contributions (up to 53%) from their income tax calculation provided that certain requirements are met. Pensions paid to employees are partially tax-exempt, including those paid by insurance companies, provided certain requirements are met.

Where a supplementary pension plan is in place, the National Commission for the Retirement Savings System requires that employers establishing the arrangement provide the following information via the Electronic Systems for Pension Plans:

- ▶ Characteristics
- ▶ Participants
- ▶ Contributions
- ▶ Benefits
- ▶ Investment policy
- ▶ Financial resources

In addition, where a reserve is established as supplementary pension arrangement without an administrator of funds for retirement, miscellaneous rules require that the following documents and information are filed on 15 February each year:

- ▶ Statement with reserve analysis
- ▶ Employees' information

- ▶ Contributions
- ▶ General terms of the pension plan

Supplementary employees' pension rights on a business transfer depend on the terms of transfer. In the case of an employer substitution, the employees' pension rights remain the same as they were before the business transfer. Employees who are working abroad can participate in a pension scheme established by a Mexican parent company. The tax implications will depend on the employee's tax residency.

Employees of a foreign subsidiary company can participate in pension arrangements established by the company's parent company. However, all documents issued in relation to the pension plan must comply with the requirements of Mexican law to be deductible or exempt for the employee.

3. Employment obligations

There is a significant increase (20%) in minimum wage for 2023. The minimum wage is MXN207.44 per day, except for the north border area with a minimum wage of MXN312.41. This affects a significant number of people (around 11 million Mexican workers are on the minimum wage).

Officially, the maximum workweek is 48 hours and is spread over six days of eight-hour shifts. However, many companies condense the 48 hours into five days to give their workers two days off each week. Overtime is paid at double the normal wage for the first nine hours per week, and triple for anything beyond that.

Telework

On 8 June 2023, the Ministry of Labor and Social Welfare (STPS) published in the Official Gazette of the Federation



the Official Mexican Standard (NOM) 37 pertaining to telework, in compliance with the reform of January 2021.

The purpose of NOM 037 is to establish the safety and health conditions applicable to employees who are effectively teleworking, in order to prevent accidents and illnesses, as well as to promote a safe and healthy environment in the work environment.

Statutory payments in Mexico

i. Vacation bonus (Prime)

Employees are entitled to receive minimum 25% additional pay (based on total compensation for the number of days taken) when on vacation. The employer's policy will state whether this bonus is paid each time the employee takes a vacation or upon them completing one year in the company.

Unused vacation days must be paid out to the employee (including prime) in case of labor relationship termination.

Vacation Reform

On 27 December 2022, the Ministry of Labor and Social Welfare published, in the Official Gazette of the Federation, the agreement by which articles 76 and 78 of the FLL regarding vacations are amended. This increases the number of vacation days per year of services, going from six to 12 with two days added for each year worked until one reaches 20 after which two are added every five years. These criteria became effective on 1 January 2023.

ii. Christmas bonus

Employees are entitled to minimum 15 days for their Christmas bonus which shall be paid before 20 December each year.



iii. Termination by employer of labor agreements

The labor law requires employers to pay dismissed employees a lump sum of three months of pay plus 20 days of pay for each year of service and a "Seniority premium" of 12 days per year may apply.

iv. Profit sharing

Profit sharing is the constitutional right of all workers to receive a percentage of the profits obtained by their employers during the fiscal year. The Federal Labor Law, in its articles 117 through 131, regulates profit sharing and provides that employees will be entitled to profit sharing in the percentage determined by the National Commission for Employee Profit Sharing. In 2020, such Commission met and ratified the profit sharing percentage of 10%.

As part of the 2021 labor subcontracting reform to the Federal Labor Law in April 2021, a provision on profit sharing was added to such law, providing that the amount of profit sharing will have a maximum limit of three months from the employee's salary, or the average of the profit sharing received in the last three years; the amount that is more favorable to the employee will be applied.

4. Payroll requirements

Employee wages can be paid weekly, biweekly or any period of no more than 15 days, depending on the conditions agreed upon in the employment contract. Payments can be made by direct bank deposit or wire transfer if a new employee asks for permission to process a payroll bank account.

Outsourcing reform

On 23 April 2021, a labor reform was approved by which several articles of the Federal Labor Law, Social Security Law, Law of the National Workers' Housing Fund Institute, Federal Tax Code, Income Tax Law and Value Added Tax Law were added and repealed in connection to outsourcing and profit sharing. Detailed multidisciplinary analysis (labor, social security and tax) to determine the possible effects that the referred bill could have on the companies' operations is advisable.

5. Banking requirements related to payroll

To open a bank account in Mexico, a company must supply a Tax Identification Number (Registro Federal de Contribuyentes or RFC) or equivalent, proof of address, banking or commercial references, among others. Processes around these vary from bank to bank, although it is likely that the person opening the account will have to physically attend the bank to do so, and provide further information to comply with Mexican anti-money laundering laws.

Mongolia

M



1. Government requirements

Registration requirements

Tax registration at the Mongolian tax authority

A newly established company in Mongolia is required to register with the tax authority of the respective district within 10 days after registration with the General Authority of State Registration.

This registration shall be done in person by the director or the authorized personnel who holds the director's power of attorney along with the company's state registration certificate, company charter and passport of the director.

Social and health insurance registration

According to the Social and Health Insurance (SHI) Law, Mongolian citizens and foreign citizens employed on a contract basis by the employer (business entities and organizations of all types of ownership – nongovernmental, religious and other organizations, and also, a citizen of Mongolia; foreign business entities and organizations operating in the territory of Mongolia) undertaking activities in Mongolia are subject to mandatory health and social insurance taxes.

Hence, employers undertaking activities in Mongolia shall register with the respective district SHI department in the first month of providing income subject to SHI to employees. The required documents are:

- a. Copy of the state registration certificate
- b. Special license (if applicable)
- c. An official letter of request

From a practical aspect, it is important to include SHI payment receipt, forms 7B and 8 of SHI returns (НД-7Б, НД-8). Otherwise, the registration process may be delayed.

Ongoing compliance requirements

Personal income tax (PIT)

In accordance with PIT Law, an employer is responsible for withholding and remitting income tax from payments made to its resident and nonresident individuals.

Under the withholding mechanism, an employer withholds PIT and transfers it to the state budget monthly by the 10th day of the month following the month in which income was paid.

The employer has a quarterly reporting obligation (Form TT_11) on a cumulative basis.

Tax resident's employment and indirect incomes are subject to progressive tax rate of up to 20% (please refer below table for breakdown of tax rates) whereas other common types of income, e.g., interest, dividend and capital gain are taxed at 10%. Nonresident taxpayers are subject to 20% tax on Mongolian sourced income.

EY contacts

Khishignemekh Regzedmaa
T: +976 11 314032
E: khishignemekh.regzedmaa@mn.ey.com

Uyanga Mandal
T: +976 11 314032
E: uyanga.mandal@mn.ey.com



The progressive tax bands are below:

Monthly income/MNT/	Annual income/MNT/	Tax rate	Explanation on annual basis
0-10,000,000	0-120,000,000	10%	None
10,000,000-15,000,000	120,000,001-180,000,000	15%	12,000,000+ 15% of excess income of MNT120m
Above 15,000,000	Above 180,000,001	20%	12,000,000+9,000,000+ 20% of excess income of MNT180m

Social and health insurance (SHI)

In accordance with SHI Law, the employer shall withhold SHI contribution from employees and transfer it to the SHI fund together with the employer SHI contribution. Employers pay SHI contributions at a rate of 12.5%-14.5% on income paid to employees, depending on the operational sector where the rate is defined by the SHI authority. Effective from FY24, employee SHI is capped at MNT759,000 per month whereas employer contribution is not capped at all.

The below table summarizes both employee and employer SHI contributions via insurance items:

Types of social insurance	Employer contribution	Employee contribution
Pension insurance	8.5%	8.5%
Benefit insurance	1%	0.8%
Health insurance	2%	2%
Industrial accident and occupational disease insurance	0.5%, 1.5%, 2.5% (to be decided by the SHI department depending on occupational health and safety requirements)	
Unemployment insurance	0.5%	0.2%
Total	12.5%-14.5%	11.5%

SHI returns shall be submitted by the 5th of the following month and payment shall be made within the month.

2. Pension requirements

No additional registration is required for legal entities as pension insurance contribution has already been included in the total SHI contribution at a rate of 8.5% for each employer and employee perspective.

3. Employment obligations

Minimum wage

The Tripartite National Committee on Labor and Social Consent set minimum wages and conditions for employees in Mongolia. Minimum wages change once in two years; employers must oblige with the minimum wages set by the Tripartite National Committee on Labor and Social Consent. There may be severe legal consequences if the minimum employment conditions are not met. The national minimum wage for FY24 is MNT660,000 per month.

Working hours and annual leave

The normal working hours are 40 hours per week.

The minimum paid annual leave period under the Labor Law is 15 working days per year. There might be additional annual leave days that should be provided for employees depending on the total years of SHI contribution paid.

4. Payroll requirements

Salary should be paid at least twice per month. The date of payment should be agreed and provided in the employment contract.

An employer should provide employees with a payslip or pay statement online or in writing, including details of income, benefits, deductions, credit and net pay.

5. Banking requirements

There is no detailed restriction on banking requirements. An employer may make payments in local currency to its employees via cash and electronic funds transfer (bank transfer).



1. Government requirements

Registration requirements

Social security registration with social security fund - Caisse Nationale de Sécurité Sociale (CNSS)

a. Employer registration with CNSS

When a business enters Morocco and employs people, the business must register with CNSS by completing forms available on its website. If the business has already obtained an affiliation number, it can register by completing an additional business form which is also available on the CNSS website. DAMANCOM is an internet platform through which employers can declare and pay social charges on a monthly basis.

b. Employee registration with CNSS

Each new employee must have a CNSS number. If the employee already has a number, this number will be kept as each employee has one CNSS number for all his or her professional career. For each new employee, a form must be completed and provided to the CNSS.

These requirements are governed by Dahir No. 1-59-148 of 30th jomada II 1379 (Arab calendar) (31 December 1959), and Dahir regarding Law No. 1-72-184 of 15th jomada II 1392 (27 July 1972)

c. Employer – Health Insurance (AMO)

The affiliation to "l'assurance maladie obligatoire" (AMO) (mandatory medical insurance) is mandatory by law in Morocco, according to "Article 114 du Texte de Loi No. 65-00".

Ongoing compliance requirements

Monthly individual income tax (IR) withholding obligation

The employer has to withhold the "Impôt sur le revenu" (IR - payroll tax) from the employee's payroll on a monthly basis and settle this on behalf of the employee. The employer should file the employee's IR return with the local tax office and settle the IR payable before the 30th of the following month, i.e., the payroll tax for October should be paid no later than 30 November, which is a day before 1 December.

The salaries and wages received by employees are subject to Moroccan IR at six progressive tax rates ranging from 0% to 38% and five specific rates from 10% to 30%, e.g.,:

- ▶ 30% for providers of services with no professional tax
- ▶ 20% on the gross salary for up to 10 years for employees of companies having CFC status, except for banking institutions and insurance companies

Specific individual income tax (IIT) measures

Extension of income tax exemption for employees of newly established organizations

The gross monthly salary of up to MAD10,000 paid to employees hired under permanent contracts during the first two years of operation of a new organization, is exempt from payroll tax to an extent of 10 employees. Initially until December 2022, the Finance Bill of FY2023 has extended this incentive until December 2026.

EY contacts

Soumaya Chad

T: +212 522 957 969

E: soumaya.chad@ma.ey.com

Mohammed Mouthif

T: +212 522 957 900

E: mohammed.mouthif@ma.ey.com

In addition, the government covers the employer's share of the contribution due to the CNSS and the vocational training tax.

36-month exemption from IIT for new permanent contracts under certain conditions

The 2023 Finance Law has extended the exemption of salary income paid to newly recruited employees for the 36 months following their hiring date. The benefit of this exemption is subject to compliance with the following conditions:

- ▶ The employee must be recruited under a permanent employment contract concluded between 1 January 2021 and 31 December 2026.

- ▶ The age of the employee must not exceed 35 years on the date of conclusion of his first employment contract.

Initially set at 20%, the rate of standard business expenses deduction has been increased to 35% for permanent employees whose gross annual taxable income is less than or equal to MAD78,000 and 25% for employees whose income exceeds this threshold. Moreover, the ceiling of the deduction has been raised from MAD30,000 to MAD35,000.

Annual individual income tax (IR) declaration

The employer is obliged to declare the annual payroll under the "Etat 9421" (annual payroll return) form. This declaration should be made by the end of February each year.



2. Pension requirements

Registration requirements

Retirement pension – “Caisse Interprofessionnelle Marocaine de Retraites” (CIMR - Moroccan interprofessional retirement fund)

The retirement pension is not mandatory in Morocco. However, an organization can choose to be affiliated to the CIMR. The organization should subscribe to one of the two existing CIMR retirement pensions. The social charge rates depend on which offer the organization chooses.

More details can be found at www.cimr.ma.

CIMR payment

The employee social charge is deducted from his or her pay slip.

The employer social charge must be paid within 45 days after the end of the quarter.

More details can be found at www.cimr.ma.

Ongoing compliance requirement

The same treatment as CIMR should be applied. This is not mandatory by Moroccan law.

3. Employment obligations

The employer should follow the Labor Law for all employment issues including:

Working hours

In accordance with Law Article 184 “code du travail” (Labor Code), working hours per week is 44 hours, with a maximum of 10 hours per day.

Vacation days

The minimum vacation allowed is 1.5 days per month (18 days per year).

Vacation days should increase by 1.5 days of actual work to a maximum of 30 days for every five years of service.

Minimum wage

The minimum wage is MAD16.29 per hour and MAD3,111.39 per month for industry, trade and services (since September 2023).

Notice period - préavis

It differs depending on the function of the employee and his or her seniority. For executives and such similar designations, the notice period according to their tenure is:

- ▶ Less than one year of tenure: one month
- ▶ One to five years of tenure: two months
- ▶ More than five years tenure: three months

Workplace accident – accident du travail (AT)

Workplace accident (AT) insurance is mandatory in Morocco. The employees are entitled to a compensation payable by the company for accidents that occur inside the company and during the journey between home and the workplace.

This is governed under Dahir No. 1-60-223 du 12 ramadan 1382 (6 février 1963) portant modification en la forme du dahir du 25 hija 1345 (25 juin 1927) relatif à la réparation des accidents du travail”. (Amendment of the law relating to the compensation for work accidents)

4. Payroll requirements

The employer is required to make a salary payment to the employee every month.

5. Banking requirements related to payroll

Payroll payments can be paid by one or a combination of:

- ▶ Cash
- ▶ Check, money order or postal order, payable to the employee
- ▶ Electronic funds transfer (i.e., EFT or bank transfer)

If paying wages by cash, the employer and the employee should sign a record to confirm the amount of money that has been paid each pay period.

Mozambique

M



1. Government requirements

Registration requirements

Tax registration

In accordance with the Personal Income Tax (PIT) act, all entities that pay income from employment are required to withhold tax on the same, at the time it is paid or placed at the disposal of the beneficiaries. In order to proceed with such withholding, employers shall register for tax purposes with the Mozambique revenue authorities and declare commencement of activities.

The following information is required for the registration of employers:

- ▶ Certificate of registration issued by the registrar of legal entities (and official gazette in case of companies)
- ▶ Tax registration/obtaining the Tax Identification Number (NUIT)
- ▶ Operating license
- ▶ Return of commencement of activity (M/02)
- ▶ Document of identification of the representative of the company and respective tax number

The PIT act states that employers shall not make any employment income payments to individuals who do not have a tax number.

The tax registration requirements for employees are as follows:

- ▶ Completed registration form
- ▶ Copy of ID or passport
- ▶ Copy of the work or resident visa

There are no fees associated with the above registrations.

Social security registration

Employers, as social security contributors, are required to register with the National social security system within 15 days from commencement of activities, according to the Compulsory Social Security Regulations.

The registration form shall be accompanied by the following documentation:

- ▶ Copy of certificate of registration (and official gazette in case of companies)
- ▶ Copy of the operating license
- ▶ Copy of the tax return of commencement of activity (M/02) duly certified by the tax authority
- ▶ Copy of the legal entity representative's ID and tax number

Once effective registration is performed, the Social Security Institute notifies the entity on the social security registration number and provides the access codes for the online database.

Employers are also required to register their employees for social security within 30 days from date of employment. The following documentation is required:

- ▶ Completed and signed registration form
- ▶ Copy of ID of employee

The social security number is issued at the time of registration. The registration must be completed in person at the Social Security by the employee with the respective identification document.

Registration fees are not applicable.

EY contacts

Khatija Khan

T: +27 31 57 6 8067

E: khatija.khan@za.ey.com

Tehcine Aboobacar

T: +258 21 353 207

E: tehcine.aboobacar@mz.ey.com

Simião Chilemba Bucuane

T: +258 21 353 211

E: simiao.bucuane@mz.ey.com

Ongoing compliance requirements

Monthly Pay-As-You-Earn (PAYE) return

According to the PIT act, PAYE is withheld by the employer on monthly basis and paid to the MRA by the 20th day of the month following the month to which the tax relates, through the submission of payment form M19. The return is only due in months where there is taxable income.

The minimum taxable income is MZN20,250:

- ▶ The rates for tax calculation vary according to the total monthly remuneration earned at progressing rate with a maximum rate of 32%
- ▶ Monthly withholding tax on employment income is a final tax
- ▶ Local employers are also required to assess and pay tax on Mozambique-related remuneration that may have been paid aboard/in the home country of the assignee by a related party, through shadow payroll

Annual income declaration and return on income paid to individuals

- ▶ By 20th January of the following year, the employer must provide employees with the annual income statements which include the total of earnings, total tax withheld, and social security contribution.
- ▶ The employer is further required to complete and file with the MRA, form M/20H, until end of March of the following year, which contains total income paid to individuals and respective tax paid during the previous fiscal year.

Social security contributions

- ▶ Compulsory social security contributions are levied on all regular remuneration paid to all resident employees, including foreigners, except for those who are exempted.
- ▶ Social security contributions are 7% (4% borne by employer and 3% by employee) on the base salary and all other remuneration and allowances that are regular in nature.
- ▶ Foreign employees who are contributing for a similar scheme outside of Mozambique may apply for exemption.
- ▶ Employers are required to upload the salaries on the National Social Security Institute's (INSS) online platform, which generates a report with a payment reference number.
- ▶ Payment should be made no later than 10th day of the following month to which the income concerns. Interest and penalties are imposed for late payment/submission.
- ▶ The interest is 2%, and penalties range from one to two minimum salaries, depending on the sector of activity of the company.

2. Pension requirements

Registration requirements

The pension regime is included in the above social security scheme and therefore not subject to separate registration requirements.

Ongoing compliance requirements

Pension-related contributions are included in the compulsory social security scheme and payable to the INSS.

As previously referred, the contributions are 7% on total regular remuneration and the same rate apply to all residents, whether they are Mozambican or foreign citizens.

Foreign resident citizens who have contributed to Mozambique social security scheme and leave the country for good prior to reaching the age of retirement, are entitled to apply for a refund of the pension component of the contribution, which represents approximately 3%, provided that Mozambique has not signed a bilateral social security agreement with his or her country of origin. The right to refund expires within one year from the date of last contributions.

Retirement age is 55 years for women and 60 years for men. In order for these to qualify for a retirement pension, they should meet the following cumulative requirements: have been registered with the social security system for at least 20 years and have completed 10 years of contributions.

3. Employment obligations

Minimum wages

Mozambique minimum wages for employees are defined by Government and depend on the sector of activity, being updated on annual basis. Currently, the Kapenta Fishing sector has the lowest minimum monthly wage (MZN4.791,68) and the Financial Services sector has the highest minimum wage amounting to MZN16.061,32 per month.

Leave days

According to Mozambican Labour Law, an employee is entitled to take the following annual paid leave at the beginning of the following calendar year:

- ▶ One day per month for effective work during the first year of employment

- ▶ Two days per month for effective work during the second year
- ▶ Two and half days per month for effective work from the third year onward

In relation to term employment with duration of more than three months but less than one year, the employee is entitled to one day paid leave for each month of effective work.

For these purposes, effective work comprises effective days worked, public holidays, weekends, leave days, and excused absence.

The labor law does not allow anticipate leave of more than 30 days and cumulative non-used leave of more than 60 days during the year.

Rest hours

According to the Mozambican Labour Law, normal working hours shall not exceed eight hours per day and 48 hours per week. The normal eight hours a day may be extended to nine hours if the employee is given an additional half day a week for rest.

Worker's compensation/collective insurance

Employers are required to enter into a collective instance contact with a local insurance company to cover work-related illness and accidents.

4. Payroll requirements

- ▶ Salaries may be paid weekly, quarterly or monthly according to the terms of agreement between the employer and employee.
- ▶ Pay slips can be provided either in electronic form or hard copy.
- ▶ Payroll related taxes are withheld from the remuneration at the time this is paid or placed at the disposal of the employee and paid on monthly basis, until the 20th day of the month following the month to which the remuneration refers.

5. Banking requirements related to payroll

Payment is made in local currency and can be paid by one or a combination of:

- ▶ Cash
- ▶ Check
- ▶ Bank transfer to a local bank account

In relation to foreign employees and under the exchange control legislation, remuneration must be paid to the expatriate employees into an onshore account and the expatriates themselves may request for a transfer into an offshore bank account, for which the following is required:

- ▶ Valid work permit and employment contract
- ▶ Tax clearance certificate confirming payment of taxes on the respective remuneration

Netherlands

N



1. Government requirements

Registration requirements

Registration with the Chamber of Commerce

Companies that want to supply services, sales, trading, manufacturing, etc., and start a business in the Netherlands are obliged to subscribe to the Chamber of Commerce.

Registration with the Dutch tax authorities as an employer

In the Netherlands, wage taxes consist of wage tax and social security contributions. The social security contributions consist of national insurance contributions (i.e., insurance for old age government pension, surviving dependents and long-term care), employee insurances (i.e., insurance for unemployment and disability) and the income-dependent contribution to the Dutch health care insurance. The wage tax and national insurance contributions are due from the employee, but withheld and remitted by the employer. The employee insurance contributions and the income dependent contribution to the Dutch healthcare insurance are due from the employer. In some international situations, an employee might not be covered by the social security system of the Netherlands (see 3. Employment obligations/Social security). An A1 statement or a Certificate of Coverage confirms this. In this case, only wage tax is due if the Netherlands has the right to levy tax on the employment income.

When the employer has a Dutch wage tax withholding obligation for its employees, it should calculate and remit the wage tax and the social security contributions due each pay period (monthly or every four weeks) to the Dutch tax authorities. In order to do so, the employer has to:

- ▶ Set up a Dutch payroll
- ▶ Provide employees with a monthly pay slip and an annual statement
- ▶ Register with the Dutch tax authorities as a Dutch wage tax withholding agent, and the Dutch tax authorities will then provide the employer with a Dutch wage tax number
- ▶ Perform a sanity check on the mandatory industry affiliation, as determined by the Dutch tax authorities in a letter to the employer – some social security contributions (if applicable) depend on the industry affiliation and the number of employees
- ▶ File the monthly Dutch electronic wage tax return and remit the Dutch wage taxes and social security contributions correctly and on time

Registration with the Dutch tax authorities as an employee

To arrange Dutch fiscal affairs, a Dutch fiscal number, “Burgerservicenummer” (BSN), should be obtained. For a resident, a BSN can be obtained at the municipality where the employee resides. For a nonresident, a BSN can be obtained at one of the 19 designated “Register Niet Ingezetenen” (RNI) desks by registering as a nonresident.

Ongoing compliance requirements

Wage tax return and payment

An employer is required to make electronic filings within one month after each pay period. The payment also has to be made within one month after each pay period. These filings and payments are mandatory and automatic penalties may arise for late submission.

EY contacts

Christa Jongejan

T: +31 (0)6 2125 2661

E: christa.jongejan@nl.ey.com

Wendy Smit

T: +31 88 407 3758

E: wendy.smit@nl.ey.com

Mariska Zuydgeest

T: +31 88 407 4023

E: mariska.zuydgeest@nl.ey.com

Stephanie Goulooze

T: +31 88 407 3978

E: stephanie.den.dulk@nl.ey.com

Dutch Personal Income Tax (PIT) return

The Dutch tax year runs from 1 January through 31 December. The normal filing deadline for tax returns is 1 May of the following tax year. However, it may be possible to apply for an extension of the filing deadline. For taxpayers, it is mandatory to file a Dutch income tax return if they receive an invitation from the Dutch tax authorities.

2. Pension requirements

Registration requirements

A Dutch employer is, in principle, not obliged to offer their employees a pension arrangement, unless a mandatory industry pension fund applicable or collective labor agreement is applicable. Although a pension plan is not mandatory by law, most employers offer a pension arrangement.

In general, employees pay a contribution of 33% to 50% of the pension cost to the pension plan.

Ongoing compliance requirements

Payment of contributions to pension funds

The way in which contributions to the fund have to be made depends on the fund. The rates vary per fund. The contributions due by employees are calculated and deducted through the monthly payroll process. The employer pays their part of the contributions as well as the part due by employees, usually by bank transfer. The payment can be monthly, quarterly or annually.

3. Employment obligations

There are several requirements according to Dutch employment legislation. Below is a summary of a non-limitative list of these requirements:

Employment contracts

The employer should, in principle, draft a new employment contract taking into consideration the Dutch employment law and the collective labor agreement (if applicable).

Minimum wages

The employer should pay employees at least the minimum wage, which is a fixed monthly rate and is increased annually. As of January 2024, the hourly rate is EUR 13.27 for individuals aged 21 and over. This rate should be used to calculate the applicable monthly salary based on the actual working hours and the established work pattern. The employer should also take into account the obligatory

annual holiday allowance of 8% when drafting the Dutch employment contract.

Holiday leave and illness

The employer is obliged to give each employee paid holiday leave at a minimum of four times the average number of days worked per week.

- ▶ The employer is obliged to continue paying 70% of the gross monthly salary during the first two years of illness, but not less than the statutory minimum wage in the first year of illness.
- ▶ Most collective labor agreement deviate from this rule and oblige an employer to pay 100%, 90% or 80% of the gross monthly salary during the first and second year of illness.
- ▶ The employer is required to have a work council if it has 50 employees or more.

Compensation and benefits package

Dutch employers are, within the limits of employment legislation and, if applicable, a collective labor agreement, free to offer their staff a package of compensation and benefits. Review of the formal employment contracts, pension plans and especially the level of compensation are essential for an employee offering. A review of collective labor agreements (especially for a group offering) or benchmarking are recommended to achieve an optimal compensation strategy. For employees, an annual merit increase (up to a defined maximum) and annual compensation correction for inflation are common practice.

An employee who works full-time (i.e., 40 hours per week) is legally entitled to a minimum of 20 days of holiday per year. Most employers offer more days of holiday (i.e., 25 to 30 per year) or are obliged to offer more holidays by a collective labor agreement. The number of bank holidays in the Netherlands is about six to eight per year, depending on calendar dates.

Extraterritorial costs and the 30% facility

Employees from another country who come to work in the Netherlands often receive a reimbursement for the additional costs incurred for their stay away from their country of origin. These costs are referred to as the extraterritorial costs. An employer can either reimburse the actual extraterritorial costs incurred by the employee or apply for the 30% facility.

Reimbursement of the actual costs

The actual extraterritorial costs may be reimbursed tax-free provided that these costs are substantiated. Qualifying extraterritorial costs include, among others, cost related to double housing, language courses, residence permits and home leave.

30% facility

The 30% facility provides special tax benefits to employees with specific expertise who are recruited from abroad. In general, the main benefit of the 30% facility is that the employer may pay the employee a tax-free allowance for extraterritorial costs up to 30% of current employment income. There are several conditions that need to be met to apply for the 30% facility, such as a salary threshold and the obligation that the employee lived outside a radius of 150 km from the Dutch national border for more than two-thirds of the two-year period prior to employment in the Netherlands. In general, starting 2019, 30% facility can be applied for a maximum period of five years. In order to make use of the 30% facility, a joint request by the employer and employee should be filed with the Dutch tax authorities. The application for the 30% facility has to be filed with the Dutch tax authorities within four months after the start of the employment in the Netherlands to have retroactive effect from the start of the employment.

As of 1 January 2024, new legislation stipulates that the 30% facility can only be applied up to a maximum salary of EUR233,000 per year for employees hired in 2023. If the 30% facility has already been applied in December 2022, this new legislation will not be applicable.

Additionally, starting 1 January 2024, the 30% facility will undergo a reduction. For the first 20 months, 30% can be applied, followed by a reduction to 20% in the subsequent 20 months, and finally, a 10% deduction for the last 20 months. A transition period is in place for the new legislation. It will not apply to employees who have the 30% facility in place as of December 2023.

Immigration

No immigration requirements are applicable to European Economic Area (EEA) and Swiss nationals. For non-EEA and non-Swiss employees, it should be determined whether a residence permit and work permit or a combined single permit should be requested.

Social security

With respect to social security, an employee is, in principle, covered by the social security system in the country in which the employee performs the employment activities. This general rule also applies when the duration of the activities is very limited. In the following paragraphs, we will describe two exceptions.

EEA and Switzerland

The social security position of an individual living in the EEA and Switzerland, and working in a different EEA country or

Switzerland (or different countries) needs to be determined on the basis of the European Union (EU) regulation for social security purposes. The main rule of the EU regulation is that the employee is covered by the social security system in the country where the employment activities are performed. However, there are several exceptions to this main rule, such as if the employee is assigned to another company or if the employment activities are performed for two companies where one company is situated in the country of residence and the other is in another EEA country or Switzerland.

If an exception is applicable, it is recommended to confirm the social security position of the employee with the social security authorities of the country where the employee resides by requesting a so-called A1 statement. If a copy of the A1 statement is kept in the employee file, the employer does not have to withhold or remit Dutch social security contributions. However, social security contributions may be due on the Dutch employment income paid to the employee in the country that provided the A1 statement.

Social security treaty

The social security position of an individual from a non-EEA or non-Swiss country with which the Netherlands has a social security treaty should be based on the applicable social security treaty. Therefore, it is recommended to perform a check on the applicable social security treaty.

Foreign company pension

As a general rule, for employees who are assigned to the Netherlands and during their assignment continue to participate in their home company pension scheme, the employer contributions into the foreign pension scheme are regarded as taxable income in the Netherlands and the employee contributions are not deductible in the Netherlands. However, if certain criteria are met and a corresponding approval is obtained with the Dutch tax authorities, the foreign pension scheme can have a favorable tax treatment in the Netherlands (i.e., employee contributions deductible and employer contributions not taxable).

Healthcare

In principle, all residents of the Netherlands are obliged to obtain Dutch healthcare insurance. The following exceptions exist:

- ▶ An employee from an EEA country or Switzerland with an A1 statement is not obliged to obtain Dutch healthcare insurance. The employee will have to take healthcare insurance in the country where they remain covered by a social security system. If the employee is not moving

to the Netherlands and will only stay for a short period of time, they will be able to claim healthcare in the Netherlands in emergency situations with a European Health Insurance Card (EHIC). If the employee moves to the Netherlands, an S1 statement should be obtained in the country in which they remain covered by a social security system. The S1 statement provides confirmation that the employee has the right to receive healthcare although do not live in the country where they are insured. The foreign S1 statement should be registered with the Dutch health insurance company CZ. This enables any healthcare expenses in the Netherlands to be directly borne by the foreign health insurance company.

- ▶ An employee from a non-EEA or non-Swiss country with a Certificate of Coverage is not obliged to obtain Dutch healthcare insurance. The employee will have to take healthcare insurance in the country where they remain covered by a social security system.

Employee file

The employer is obliged to hold an employee file. Below, we have provided a list of items that can be included in the employee file. The items with an asterisk are mandatory. The other documents are highly recommended. If the mandatory documents are not in the employee file, this could result in additional assessments from the Dutch tax authorities and fines.

- ▶ A copy of the signed Dutch employment contract
- ▶ A copy of the front and back of a valid identification document*
- ▶ A completed and signed Dutch wage tax statement or comparable documentation*
- ▶ A copy of the 30% ruling (if applicable)*
- ▶ A copy of an A1 statement or Certificate of Coverage (if applicable)
- ▶ For employees outside the EEA and Switzerland, a copy of the residence permit and work permit or a combined single permit (if applicable)

Occupational health service

An occupational health service helps employers and employees in the understanding and implementation of working conditions and disability. The statutory health and safety obligations require specific expertise which the employer usually does not have. An occupational health service advises and takes over tasks from the employer in the areas of:

- ▶ Working conditions
- ▶ Illness and disability
- ▶ Rehabilitation counselling
- ▶ Risk inventory and evaluation (RI&E)

In addition, an employer can also buy sickness insurance to cover payments to employees during the first 104 weeks of sickness.

4. Payroll requirements

The payroll for employees is processed on a monthly basis or every four weeks and employees receive a pay slip every period.

Work-related cost scheme

A special system is mandatory for all employers with respect to determining the Dutch wage tax implications of providing allowances and benefits to employees in the Netherlands. The essence of the so called work-related costs scheme (WRCS) is that the employer will be subject to 80% tax on benefits and allowances (including VAT) granted to employees, to the extent that these amount are more than the tax-free work-related cost budget. In 2023 the tax free budget is 3% of the first EUR400,000 of the taxable wages and 1.18% for the remaining amount of the taxable wages. The final levy system is applicable, i.e., the 80% tax is due by the employer if the budget is exceeded and they cannot pass this on to their employees. Not all allowances and employment benefits fall under this budget. Exceptions include specific exemptions, intermediary expenses, facilities with a zero valuation for tax purposes and items that are considered mandatory taxable wage (e.g., a company car). In the following paragraph, we will describe the reporting obligations and practical details of WRCS.

Reporting obligations

The employer is obliged to calculate the final levy tax payable for the WRCS once a year. If the tax-free budget is exceeded, the 80% final levy must be specified and remitted through the Dutch wage tax return in the first tax period of the next calendar year. As a result, for 2023, the final levy should have been reported in the February 2024 Dutch wage tax return, which had to be filed no later than 28 February 2024. From our practical experience, we recommend setting up an adequate administrative system beforehand. On the basis of the current view of the Dutch tax authorities, an explicit designation as work-related costs should take place. Without an explicit designation, the specific exemption would not be applicable. In order to benefit from the applicable exemptions and the tax-free budget, the employer should be able to reasonably substantiate that allowances and benefits that are not processed on the payslip are explicitly designated as work-related costs.

5. Banking requirements related to payroll

Payroll net payments should be made in local currency but can be made by any method and from either a Dutch or an overseas bank account.

Liabilities to Dutch Authorities

Liabilities to Dutch Authorities can be made from a Dutch or overseas bank account. If paying from an overseas bank account, the charges should be accepted by the remitting bank so that the payments received by Dutch Authorities are not reduced by charges or exchange rate differences. Any differences will result in interest charges being levied on underpayments.



1. Government requirements

Registration requirements

Registration for Pay-As-You-Earn (PAYE)

When a business enters in New Zealand and employs people, the business must register with the Inland Revenue Department (IRD) for PAYE. If the business has already obtained an IRD number, it can register for PAYE by completing an Employer Registration form. If the business does not have an IRD number and requires one, application for IRD number and PAYE can be carried out at the same time.

Accident Compensation Corporation (ACC) levies

ACC levies are an insurance cover that ensures the business is covered for the costs that might follow a workplace related injury or disease. These costs can include weekly and lump sum payments, medical, hospital and rehabilitation expenses, and return to work costs.

ACC levies will be assessed based upon business type and risk factors. Both employees and the employer pay these levies. Levies are also charged on vehicle registrations and other statutory payments by all New Zealand residents and citizens.

Ongoing compliance requirements

Remittance of PAYE withholding

The timeframe within which an amount withheld must be remitted to the IRD depends on the total amount of PAYE withheld by a business on an annual basis. Businesses are categorized as either large or small.

Large withholders: If the company's gross annual PAYE (including Employer Superannuation Contribution Tax (ESCT)) is NZD500,000 or more in the previous year ended 31 March, it will be required to pay PAYE:

- ▶ From wages paid between the first and 15th of the month by the 20th of the same month
- ▶ From wages paid between the 16th and the end of the month by the fifth of the following month, except for the second period of December, which is due on 15 January

The amount must be paid electronically.

Small withholders: If the company's gross annual PAYE (including ESCT) is less than NZD500,000, it must pay PAYE monthly, and PAYE is due by the 20th of the following month.

IRD imposes penalties and interest for late lodgment, late payment and non-payment of PAYE withholding.

PAYE and Kiwi Saver lodgments

Employees earning a wage or salary are taxed directly from their pay. This is known as PAYE.

Employers are responsible for deducting and paying PAYE income tax to IRD on behalf of employees.

EY contact

Suan Tan
T: +64 274 899 874
E: suan.tan@nz.ey.com

KiwiSaver is a voluntary retirement savings scheme where employers make regular contributions from an employees' pay or directly to the scheme provider.

The remittance of KiwiSaver and other deductions are made to IRD along with the PAYE and are paid to IRD as per the remittance schedule and completed via PayDay filing.

2. Pension Requirements

Ongoing compliance requirements

KiwiSaver is a voluntary, work-based savings initiative to help New Zealanders with their long-term savings for retirement. KiwiSaver is open to all New Zealand citizens and people entitled to live in New Zealand permanently who are under the age of eligibility for New Zealand Superannuation (age 65).

Employers are only required to contribute if the employee opts into the KiwiSaver Program.

Employees, upon joining an employer, are automatically opted in and have between two to eight weeks to opt out.

To join KiwiSaver, a person must be:

- ▶ Living (or normally living) in New Zealand
- ▶ A New Zealand citizen or entitled, under the Immigration Act 2009, to be in New Zealand indefinitely

Employers are required to make compulsory contribution to the employee's KiwiSaver account or complying fund at a rate of 3%. Employees can contribute 3%, 4%, 8% or 10% of their gross salary or wage.

KiwiSaver employer contributions need to be paid with the PAYE to the IRD via PayDay filing. Contributions the employer makes to their employees' complying funds still need to be paid directly to the applicable scheme.

3. Employment obligations

Employment Law and minimum employment requirements

Minimum wage rates apply to all employees aged 16 and over, who are full-time, part-time, fixed-term, casual, working from home, and paid by wages, salary, commission or piece rates (subject to some exceptions). The minimum wages for FY23/24 is NZD22.70 per hour from 1 April 2023.

All employees: part-time, full-time, fixed term and casual (but not including the Armed Forces) get at least:

- ▶ Four weeks of paid annual holidays (annual leave) each year for rest and recreation (some fixed-term and casual employees may get annual holidays on a "paid as you earn" basis)

- ▶ Twelve public holidays each year (if there are days they would otherwise work). These are days of national, religious or cultural significance, and employees should be able to take them as leave, where possible
- ▶ Access to ten days sick leave
- ▶ Access to three days bereavement leave

Bereavement leaves are available after six months of current continuous employment with the same employer, or after working for the employer for six months for an average of 10 hours per week, and at least one hour in every week or 40 hours in every month.

If an employee has to work on a public holiday, that work must be paid at no less than one and a half time. Payment for annual holidays is calculated differently from payment for public holidays, bereavement leave and sick leave.

4. Payroll requirements

Payroll payments and pay slips

According to the Department of Labour, it is not a legal requirement for employers to provide pay slips to their staff unless it is stipulated in their contracts. All employees do, however, have the right to view and copy the personal payroll data held by their employer regarding them. Employees frequently request pay slips even from employers who do not supply them on a regular basis as they are needed as proof of income when applying for a loan, arranging childcare payments and many other scenarios. While it may not be a legal requirement, it is good business practice to provide pay slips to employees.

All taxable salary and wage income is taxable in the financial year in which it is received, regardless of when it was earned. Tax should be withheld at the time when the payment is made to the employee.

Depending on the size of the employing entity, there may be a requirement to report all payments to IRD within 48 hours of the payment being made to the employees.

In terms of documentation requirements, employers should:

- ▶ Keep records on paper or electronically (if the information can be accessed easily and converted into written form)
- ▶ Keep wages and time records, and holiday and leave records for seven years (even if the employee has left)
- ▶ Keep a signed copy of the employment agreement, or current signed terms and conditions or intended employment agreement (and employees must be given their copy if they ask for it)

5. Banking requirements related to payroll

Banking of salary and wages

Payroll payments can be paid by one or combination of:

- ▶ Cash
- ▶ Check, money order or postal order, payable to the employee
- ▶ Electronic funds transfer (i.e., EFT or bank transfer)

If paying wages by cash, the employer and employee should sign a record to confirm the amount of money that has been paid for each pay period.

Nicaragua

N



EY contacts

Antonio Ruiz

T: +506 2208 9800

E: antonio.ruiz@cr.ey.com

Jose Pablo Artavia

T: +506 2208 9891

E: pablo.artavia@cr.ey.com

Yazmín Duarte

T: +506 2208 9800

E: yazmin.duarte.zeledon@cr.ey.com

Evelin Leal

T: +502 2461 3174

E: evelin.leal@gt.ey.com

1. Government requirements

Registration requirements

Any person who performs a job or professional service of any nature for another person (whether legal, public, private or mixed), irrespective of the type of relationship linking them, the economic nature of the activity or the form of payment or compensation provided, is subject to the mandatory social security scheme. The definition includes apprentices, even though they are not remunerated.

Some of the registration requirements are as follows:

Nicaragua Social Security Institute (INSS)

All employers are required to register for social security as an employer, and to register their employees with the mandatory scheme no later than three days after they start work. Independent workers may join the voluntary scheme. The employer can register for social security by:

- ▶ Visiting the nearest INSS office
- ▶ Requesting that an INSS affiliate visit their business
- ▶ Registration can be requested through a system called "Sistema de Información Autodeterminado" which allows users to perform online tasks with the INSS

General requirements:

- ▶ Form of registration or update of the employer and/or payroll
- ▶ Identity document
- ▶ Valid residence card
- ▶ Deed of incorporation and bylaws registered in the mercantile registry
- ▶ Power of legal representative

Tax administration

Every individual or legal entity is obliged to register in the Unique Tax Registry when starting any lucrative activity or business (sale of goods or provision of services), subject to a tax under the administration of the General Tax Office.

General requirements:

- ▶ Deed of Incorporation (two copies)
- ▶ Certification of registration of a limited company (two copies)
- ▶ Application for merchant registration and sealing of commercial books (two copies)
- ▶ Certificate of registration as a merchant in the Mercantile Public Registry (two copies)
- ▶ General power of administration (two copies)
- ▶ Certificate of registration of general power of administration (two copies)
- ▶ Receipt of basic service e.g., water, electricity, telephone, or lease agreement that establishes domicile (two copies) or Notarial Certificate (two copies) that shows the domicile of the company and the president
- ▶ Identity document (two copies)

Ongoing compliance requirements

Monthly submission of the income tax depends on the calendar expressed by the DGI of Nicaragua.



Monthly social security reports must be done during the first three natural days and payment is made on the 17th of each month via web.inss.gob.ni/sie/Home2.jsp.

2. Pension requirements

There are two types of pension:

- a. Old Age Pension - You must be at least 60 years old and have made contributions for 750 weeks.
- b. Reduced Old Age Pension - You must be at least 60 years old and have made contributions for at least 250 weeks.

In the case of disability pension, there are various types. Each type has different requirements as they are linked to a physical condition.

Any national and foreign resident who, through a verbal or written employment relationship, or through any type of employment as a dependent or independent person, is temporarily or permanently linked to an employer for the performance of work or services is considered a worker. This applies whether the employer is a natural person or a legal, private, state or mixed entity, or a foreign institution

or body residing or not in the country, including the bodies and institutions of Central American Integration. Regardless of the number of workers, the employer is subject to mandatory insurance. Likewise, persons who are engaged in the exercise of a public function, whether they are elected or appointed in the institutions and powers of the state, are subject to mandatory insurance.

3. Employment obligations

Employer contribution	Percentage
INS (for employers with more than 50 workers)	22.5%
INS (for employees with less than 50 workers)	21.5%
INATEC	2.00%
Vacation accrual	8.33%
Christmas bonus accrual	8.33%
Severance three years	8.33%
Severance from three to five years	5.55%
Severance more than five years	0.00%

- ▶ The Christmas bonus is a constitutional right of public and private sector workers. Every worker has the right to be paid an additional month's salary by his or her employer after one year of continuous work, or the proportional part that corresponds to the period of time worked, greater than one month and less than one year. A year is defined as the period from 1 December of the previous year to 30 November of the current year. The payment of this bonus must take place in the first 10 days of December each year, or no later than 10 days after the termination of the employment relationship.
- ▶ Vacation days: As stated in Chapter III, Article 76 of the Labor Code, every worker has the right to enjoy 15 days of paid continuous rest as vacation time for every six months of uninterrupted work in the service of the same employer, translating to 30 days per year.

4. Payroll requirements

Article 70 states that the pay cycle varies for different types of workers, as follows:

- ▶ Manual workers (farm workers, construction workers, textiles, etc.) are paid weekly
- ▶ Intellectual workers are paid fortnightly (every 15 days)
- ▶ Domestic workers are paid monthly
- ▶ Government employees are paid on a monthly basis to avoid the complexity of payroll processing

Monthly submission of the income tax depends on the calendar expressed by the DGI of Nicaragua.

Monthly social security reports must be done during the first three natural days and payment is made on the 17th of each month.

5. Banking requirements related to payroll

This information is not available.

Nigeria

N



1. Government requirements

Registration requirements

Personal Income Tax (PIT)/Pay-As-You-Earn (PAYE)

PIT is governed by the Personal Income Tax Act (PITA) (as amended). It is levied on the income of individuals, sole proprietors, partnership, trustees, communities, and other un-incorporated persons or bodies. PIT is imposed based on the source of income and residency rule. The rate ranges from 7% to 24% depending on the amount of chargeable income less applicable tax reliefs.

PITA is administered by the respective State Internal Revenue Service (SIRS), for the various locations. The filing jurisdiction is based on the place of residence of the employees. There are currently 36 States plus the Federal Capital Territory (FCT) in Nigeria. By implication, there are 38 tax authorities (including the Federal Inland Revenue Service) who have administrative rights on PITA.

The Federal Inland Revenue Service (FIRS) collects PIT from the following:

- ▶ Persons employed in the Nigerian Army, the Nigerian Navy, the Nigerian Air force, the Nigerian Police Force other than in a civilian capacity
- ▶ Officers of the Nigerian Foreign Service
- ▶ Non-residents who derive income or profit in Nigeria

National Housing Fund (NHF)

The aim and objective of the NHF is to provide loans to Nigerians for developing, purchasing, or renovating houses, and encourage housing finance among low- and medium-income earners. The Fund provides long term loans to mortgage institutions for lending to contributors of the Fund.

The fund is managed and administered by the Federal Mortgage Bank of Nigeria (FMBN). Both employers and Nigerian employees are required to register with the FMBN for the scheme.

However, with the recent amendment to the NHF Act, it is now optional or voluntary for employees in the private sector to participate in the NHF Scheme, effective from February 2023.

Employees' Compensation Fund (ECF)

The aim and objective of the ECF is to provide compensation to insured employees in case of work-related diseases, disability, injuries, or death.

The Nigeria Social Insurance Trust Fund (NSITF) is the statutory body charged with the responsibility of administering the ECF scheme and the legal framework is the Employees' Compensation Act 2010.

Employers are required to register under the ECF scheme and contribute to the scheme on a monthly basis.

Industrial Training Fund (ITF)

The aim and objective of the ITF is to facilitate skill acquisition through training and vocational studies based on approved standards set by the body.

The ITF is the statutory body charged with the responsibility of administering the ITF scheme and the legal framework is the ITF Act 2011 (as amended).

Employers are required to register under the ITF scheme and contribute to the scheme on an annual basis provided such employers have a minimum staff strength of at least 25 employees in line with the recently amended Business Facilitation (Miscellaneous Provisions) Act 2022, effective February 2023.

EY contacts

Akeem Ogunseni

T: +234 811 209 3117

E: akeem.ogunseni@ng.ey.com

James Adeagbo

T: +234 16 314 518

E: james.adeagbo@ng.ey.com

National Health Insurance Scheme (NHIS)

The NHIS is a body corporate established under Act 35 of 1999 Constitution to provide social health insurance in Nigeria where health care services of enrollees/contributors are paid for from the common pool of funds contributed by the participants of the scheme. It also regulates private health insurance operated by approved Health Maintenance Organizations (HMOs).

It is a pre-payment plan where participants pay an agreed premium or fee. The pool of funds allows the HMOs to pay for medical benefits being enjoyed by contributors through the network of hospitals under each HMO.

Tax Clearance Certificate (TCC) for employees

TCC is a tax statement of each taxpayer issued by relevant tax authorities, depending on place of residence of employees.

A tax clearance certificate is issued in arrears over a course of three years. The employers need to have rendered tax returns on behalf of their employees over the course of three years before most relevant tax authorities can issue tax clearance certificates.

TCC may be required by different government agencies before public contracts, grants and state licenses are given to individuals and businesses.

Other uses of TCCs are:

- ▶ Application for government loans for industry and business
- ▶ Application for transfer of real property
- ▶ Confirmation of appointment by Government
- ▶ For contesting in public office in form of election at Federal, State and Local Government levels
- ▶ Application for change of ownership of property (land, house, vehicle etc.)
- ▶ Application for certificate of occupancy

Ongoing compliance or filing requirements

PIT/PAYE

- ▶ PAYE tax must be remitted on or before the 10th day of the month following the payment of salary (e.g., PAYE tax deducted from January salary should be remitted on or before 10 February).
- ▶ Employers under the PAYE Scheme are expected to file PAYE tax returns on behalf of their employees on or before 31 January every year. In addition, individual employees are required to file their personal income tax returns on or before 31 March every year.
- ▶ Penalty of non-payment of tax
 - ▶ Ten percent per annum of the amount plus interest on annual basis at bank lending rate (a one-off interest rate of 21% is currently applied in practice. This

practice may change in future i.e., may be applied annually.)

- ▶ A corporate body that fails to file its PAYE tax return on the due date (31 January) is liable to a fine of NGN500,000.
- ▶ Every taxable person is liable to a minimum income tax of 1% of their gross income. However employees that earn less than the national minimum wage are exempted from income tax. Minimum tax is triggered where actual tax payable, after all reliefs and allowances have been granted, is less than 1% of gross income/total emolument.
- ▶ For the purpose of determining the taxable income, the PITA Act has been amended and redefined "gross income" as "income from all sources less all non-taxable income, income on which no further tax is payable, tax exempt items and all allowable business expenses and Capital allowance"

Tax band and rate			
Level	Annual band (NGN)	Monthly band (NGN)	Rate
1st	300,000	25,000	7%
2nd	300,000	25,000	11%
3rd	500,000	41,667	15%
4th	500,000	41,667	19%
5th	1,600,000	133,333	21%
Last (Excess of NGN3.2m)	3,200,000	266,667	24%

National Housing Fund (NHF)

The NHF Act mandates all Nigerian workers earning income of NGN3,000 and above per annum in both the public and private sectors of the economy to contribute 2.5% of his or her basic salary to the fund. This contribution also acts as a relief in the computation of personal income taxes.

The amount deducted must be remitted within one month of making the deduction. An employer who fails to make deductions from his or her employees or deducts and fails to make remittance is liable to a fine of NGN50,000.

Any employee of an employer who is authorized to make the NHF deduction or payment and fails to, is liable to a fine of NGN20,000 or five-year imprisonment or both.

It is important to note that the maximum loan threshold available has been increased from NGN15 million to NGN50 million, depending on certain criteria.

Employees' Compensation Fund (ECF)

ECF is an employers' cost and they are to remit to NSITF within one month of the deduction.



The contribution rate is 1% of the total monthly payroll. However, an information guideline issued by the NSITF excludes pension contribution, bonuses, overtime payments, irregular one-off payments from the basis.

Employers are required to file statements of actual earnings of their employees for the preceding year and budgeted earnings for the current year not later than 28 February every year.

The ECF Act prescribes a penalty for contravention of any of its provisions of NGN20,000 for the first case of non-compliance or imprisonment for a term not exceeding one year, and NGN100,000 for every subsequent case of non-compliance or to both such imprisonment and fine.

Industrial Training Fund (ITF)

The contribution rate is 1% of the total annual payroll. However, employers are entitled to refund of up to 50% of contribution provided certain criteria such as adequate implementation of the employers' approved training programs are met.

ITF is an employers' cost and shall be remitted to the ITF not later than 1 April every year. The ITF Act prescribes 5% penalty for each month or part of the month any default continues. Employers are also required to file ITF returns annually.

National Health Insurance Scheme (NHIS)

The National Health Insurance Authority Act (NHIA) 2022, repeals the National Health Insurance scheme (NHIS). This is to provide for the promotion, regulation and integration of all health schemes in Nigeria.

- a. The NHIA Act, stipulates that every person resident in Nigeria shall be required to obtain health insurance. Residents shall include
 - ▶ All employers and employees in the public and private sector with five staffs and above
 - ▶ Informal sectors employees
 - ▶ Other resident of Nigeria
- b. Also, all state in the federation is required to implement a state health insurance and contributory scheme.



c. Contributions under-

- ▶ The formal sector shall be paid by the employers and employees at rates determined by the Councils of the various State health insurance schemes while the informal sector shall be paid by individuals, groups and families at rates determined by the Councils of the various State health insurance schemes.
- ▶ The contributions for vulnerable persons, not otherwise covered by other schemes, shall be made on their behalf by one or a combination of the three levels of government, development partners or non-governmental organisations.
- ▶ Contributions from the Federal Government for vulnerable persons shall be made from the Basic Health Care Provision Fund.
- ▶ States shall be eligible to access these funds upon establishing their State health insurance schemes as required by the Act
- ▶ Individuals or employers may pay additional premiums for voluntary supplementary or complementary private health insurance plans.

The contribution made by employees, if any, is treated as a relief while computing the PAYE tax in the relevant period.

2. Pension requirements

Registration requirements

Contributory Pension Scheme (CPS)

All employers in the public sector, and private employers that have certain number of employees are required to contribute to the CPS. Organizations with at least three employees as well as self-employed person (under micro-pension option) shall contribute to the scheme. In practice, most employers enroll for the scheme even with only one employee in order to attract and retain their staff.

The National Pension Commission (PENCOM) is the statutory body charged with the responsibility of overseeing the administration of the scheme and supervising all stakeholders who operate within the scheme.

The underlying law is the Pension Reform Act (PRA) 2014 which replaced the repealed law effective 1 July 2014.

All employers and employees in the private and public sectors are required to register under the scheme.

Administrative guidelines have been put in place that enable employees to use 25% of their contribution for the purpose of financing a mortgage.

Ongoing compliance requirements

Pension is computed at a rate of not less than 18% of monthly emoluments (with a minimum contribution of 10% by employer and 8% by employee) and is paid into the retirement savings account of the individual employees.

Contributions to the scheme is not mandatory for foreign staff of a Nigerian company. However, such expatriate employees may join the scheme at their discretion and with the agreement of their employers.

Pension remittance is due not later than seven working days from the day salary is paid and relevant schedules should be submitted to the Pension Fund Administrators.

Non-compliance attracts a penalty to be stipulated by the National Pension Commission (PENCOM) which shall not be less than 2% of the unpaid amount for each month or part of each month the default continues.

3. Employment obligations

The Nigerian labor law guided by the Labor Act 2004 looks into the rights, working conditions, minimum wage, termination clauses, and many other rules set by the government of Nigeria.

The duties of an employer implied by law include:

- ▶ Providing a safe work environment for employees
- ▶ Paying employees for the work performed
- ▶ Reimbursing employees for any reasonable and necessary expenses incurred on behalf of the business

These employees' rights relate to areas such as health and safety, the provision of terms and conditions of employment, equal opportunities, and the right to be paid a minimum wage as well as being entitled to sick leave, maternity leave and holiday.

4. Payroll requirements

In accordance with the Labor Act, salaries are payable at intervals not exceeding one month. Payment must be made in legal tender, and can be made by cash, check or electronic transfer.

5. Banking requirements related to payroll

Every bank account holder in Nigeria must obtain a Bank Verification Number (BVN) in order to receive payments.

Foreign exchange control considerations

In accordance with the Exchange Control Act, Nigeria has tightened foreign exchange controls due to the high demand for foreign currency in the country.

Recently the Central Bank of Nigeria has adopted the the FX floating measure where the forces of demand and supply is expected to determine the exchange rate.

Norway

N



1. Government requirements

Registration requirements

Foreign business entities that carry on commercial activities in Norway must register in the Register of Business Enterprises/the Central Coordinating Register for Legal Entities in the Brønnøysund Register and are required to obtain a Norwegian legal organization number. Companies that have employees should be assigned a business number in addition to the organization number.

In addition to the legal organization number, anyone who has declared that they have employees, will have an affiliated branch with a separate business number. Anyone who operates from several locations and/or in different industries will often have a separate business number for each of their branches/industries.

The business number is used primarily when submitting the A-melding and when reporting to SSB (Statistisk Sentralbyrå - Statistics Norway)

Basic requirements:

- ▶ Complete, sign and submit the Coordinated Register Notification form
- ▶ Certificate of Registration from the home country's official company registration authority. Other significant documents, if necessary.
- ▶ A person with a role/signatory who does not have a Norwegian ID number should apply for one. This can be sent with the rest of the requirements above. The Norwegian ID number (D-number) is necessary to access the entity's Altinn portal (www.altinn.no) for electronic sign-off.

Websites: www.brreg.no

www.altinn.no/en/start-and-run-business/planning-starting/registration-of-the-enterprise/Organisation-number-and-business-number/

Ongoing compliance requirements

Monthly payroll and reporting to Norwegian Authorities

Employees should have a Norwegian Personal ID or a D-number and should apply for a tax deduction card.

It is obligatory for the company to withhold tax according to the employees' tax deduction card. Employer's National Insurance Contribution (Arbeidsgiveravgift) should also be calculated on the employees' remuneration and other taxable benefits. The employer has a monthly salary and tax reporting obligation to the tax authorities electronically via Altinn (A-melding). The A-melding reporting is normally processed through a Norwegian Payroll System. The reporting of A-melding is done electronically (this needs to be done by a person with a Norwegian personal ID number/D number and appointed by the company).

The deadline for the tax reporting is on the 5th of the following month.

Employees' withholding tax should be withheld on a separate withholding tax account in Norway. If the company does not have a withholding tax account, a bank guarantee should be applied for.

Payment for Tax and Employer's National Insurance Contribution are due every odd month in the calendar. For example: January and February tax and Employer's National Security Contribution is due on the 15th of March, and so on.

There may be other statistical reports that are mandatory which the company may be chosen to participate in.

EY contacts

Marianne O Klengsen
T: +47 971 99 307
E: marianne.o.klengsen@no.ey.com

Peder Steinskog
T: +47 917 77 456
E: Peder.steinskog@no.ey.com

The current rate for Employer's National Insurance Contribution is 14,1%. As of 1 January 2023, Employer's additional national insurance contributions must be calculated when the total taxable salary to an income recipient exceeds the threshold amount of NOK 750,000 from a legal entity. The contribution amounts to 5 percent of the basis over the amount limit. An employer's obligation to calculate and report starts from the time the amount limit is reached.

2. Pension requirements

The OTP or the Obligatory Occupational Pension is mandatory for most companies for their employees. This is funded by the employer saving an agreed portion of the employee(s)' salary.

The OTP must be established within 6 months of the date on which the obligation to have an occupational pension scheme arose. The OTP is not taxable to the employees, however 14.1% of the Employer's National Insurance Contribution is applied on the OTP cost. This is processed

in the payroll run monthly or in the month the payment is due.

The following conditions are covered by this obligation:

- ▶ Entities with at least two employees who both have working hours and a salary amounting to 75% or more of a full-time position.
- ▶ Entities with at least one employee who has no owner interests in the enterprise and whose working hours and salary amount to 75% or more of a full-time position.
- ▶ Entities with employees who have working hours and salary amounting to 20% or more of a full-time position, provided they collectively carry out work corresponding to at least two full-time equivalents.

Additional pension contribution can also be agreed between the employer and the employees. AFP (Alderspension fra Folketrygden) is a private sector tariff-based pension scheme. It is an ungraded lifelong supplement to the retirement pension from the Norwegian National Insurance Scheme.

Website: www.altinn.no/en/start-and-run-business/working-conditions/employment/Compulsory-occupational-pension/



3. Employment obligations

There are different Labor Laws related to employment obligations:

- ▶ Lay-offs
- ▶ Employment e.g.
 - ▶ Employment contracts
 - ▶ Minimum salary
 - ▶ Employing foreign workers
 - ▶ Working hours
- ▶ Pay
- ▶ Leave of absence and holidays
- ▶ Sickness
- ▶ Health, safety and environment (HSE)
- ▶ Termination

Minimum salary

Although there is no general minimum wage in Norway, a minimum wage has been introduced in some industries to prevent foreign workers from receiving poorer wages and working conditions than is usual in Norway.

Mandatory Occupational insurance

The employer is obliged to take out insurance for coverage of occupational injury and occupational illness from an approved insurance provider in Norway. This insurance is not taxable for the employee nor liable for Employer's National Insurance Contribution.

Website: www.altinn.no/en/start-and-run-business/working-conditions/

4. Payroll requirements

There is no specific regulation related to payment frequency. It depends on the company policy or the employment contract. Monthly payment is the most common payment frequency in Norway.

Pay slip

The company is required to issue payslips to employee, unless under shadow payroll.

The payslip, as a minimum requirement, must contain:

- ▶ Employer's name and organization number
- ▶ Employee's name and Norwegian personal ID number
- ▶ Salary period
- ▶ Information of the withholding tax deduction card used
- ▶ Basis for salary payment (monthly salary/hourly rates)
- ▶ Basis for holiday pay calculation
- ▶ Basis and amount of tax withheld
- ▶ Other deductions made

5. Banking requirements related to payroll

Payment to employees

The payroll payments must be transferred to employees' bank accounts on the agreed pay date (No cash payments are allowed.)

Payment for Tax and Employers' National Insurance Contribution

Tax should be withheld on a separate tax account. If the tax account is not available, a bank guarantee should be applied for.

The Norwegian tax authorities only accept local currency (NOK). However, payments can be made from a foreign bank account using IBAN (EU/EØS) or similar arrangements.

Bank Guarantee:

If the company does not wish to set-up a withholding tax account, a bank guarantee can be applied for. The guarantee must be approved by the Norwegian Tax Administration before the salary payment. Banks and other financial institutions from outside the EEA are not accepted.

Bank guarantee requirements:

- ▶ Guarantor (bank) and guarantee debtor (companies with organization number)
- ▶ Guarantee beneficiary
- ▶ Amount (size of the guarantee)
- ▶ The guarantee continues to apply after termination or expiration until the tax deduction for all salary payments made during the guarantee period has been paid. Reference to section 5-12 (3) of the Tax Payment Act, cf. Section 16-20.



EY contacts

Antonio Ruiz

T: +506 2208 9800

E: antonio.ruiz@cr.ey.com

Jose Pablo Artavia

T: +506 2208 9891

E: pablo.artavia@cr.ey.com

Yazmín Duarte

T: +506 2208 9800

E: yazmin.duarte.zeledon@cr.ey.com

Evelin Leal

T: +502 2461 3174

E: evelin.leal@gt.ey.com

1. Government requirements

Registration requirements

Panamanian Social Security Fund (CSS) or Caja de Seguro Social Panameña

Any natural or legal person of public or private right that operates in the national territory and that there is an employee-employer relationship has the obligation to register with the Social Security Fund. The requirements are as follows.

- ▶ The employer must have at least one employee at the start of operations.
- ▶ Complete and sign the “Employers registration application before the professional risk program” which is available on the web. Print on bond paper 8½ x 11 and submit the original form along with three copies (without blots or studs).
- ▶ Complete and sign the Employer Registration application which is available on the web. Print front and back, on bond paper 8½ x 11 and submit the original form along with three copies (without blots or studs).
- ▶ List of employees indicating details such as full name, Social Security Number (if any), Certificate Number, salary, date of commencement, position held, and signed by the legal representative or representative. Print on bond paper 8½ x 11 and submit the original form along with three copies (without blots or studs).
- ▶ Notary Power that authorizes the delivery of the confidential envelope that contains the username and password to download the digital signature. If the presentation of documents is made by a person other than the legal representative, a copy of the identity card of the attorney and the legal representative must be presented (legible)
- ▶ If legal person, Certificate of Public Registry in force (three copies) Social Pact or copy of the document of the RUC NT of the DGI, Notice of Operations and copy of identity card, passport or migration card of the legal representative. (readable)
- ▶ In the case of companies incorporated as of October 24, 2014, Constitution Pact and Proof of Registration of the Public Registry.

For Tax administration (DGI)

The Directorate General of Revenue of Panama (DGI) issues a RUC, which is the identification number of taxes on the income of the company. This number is used for all purchases and sales of the company along with the income statement.

You can register your RUC number by contacting the Provincial Administrations of the General Directorate of Revenue or online, via the website of the Directorate General of Revenue, www.dgi.gob.pa

Once the registration is made, your Digit Verifier number is supplied, which corresponds to an internal control digit used in the collection and inspection processes of the General Revenue Office.

General requirements:

- ▶ Proof of registration issued by the Public Registry: Either photocopy of the Constitution or Social Pact, or photocopy of the certification issued by the Public Registry

- ▶ Photocopy of the Personal Identity Card of the legal representative
- ▶ Photocopy of the Commercial License or Commercial Registry issued by the Ministry of Commerce and Industries. (In case of obtaining it) or Operation Notice
- ▶ Photocopy of the last payment receipt of a public service (electricity, water or telephone) updated, corresponding to the address, that matches the address which appears on the record of the Public Registry, or that matches the address which appears in the License or Commercial register
- ▶ RUC registration form duly completed and signed

In accordance with Law 76 of 1976-Articles from 7 to 10, legal entities are obliged to register in the RUC, within the month following their registration in the Public Registry.

Ongoing compliance requirements

For the monthly reporting of social security and income, a unique invoice is generated from the SIPE system, with which both income and social security are paid. The payments are due within 30 days of the following calendar month.

The annual income statement is made using the official form "Planilla 03" (also known as Anexo 03) which contains information on the withholding of income tax for all workers. This form must be submitted to the "Dirección General de Ingresos" (DGI) before the 30th of each month.

2. Pension requirements

Registration requirements

The severance fund (Fondo de Cesantía) in Panama is a mechanism established by law that guarantees that employers pay a seniority premium and compensation to employees with an indefinite contract. The fund itself is not a worker's right. The right of the worker is to receive the payment of the premium and compensation that are guaranteed with the unemployment fund (provided that the relationship ends because of unjustified dismissal or justified resignation).

This fund was conceived with the purpose of assuring or guaranteeing workers full and effective payment of their seniority premium and compensation at the time when their employment relationship ends.

The funds must be constituted through trusts in private entities authorized by law for the administration of funds. The trust for the severance fund is established through an agreement or contract between the employer and Progreso, the official administrator of severance funds in Panama.

Ongoing compliance requirements

Report each quarter to the pension funds administration the corresponding accrual amounts per severance and seniority bonus.

3. Employment obligations

Employer contribution	Percentage
Social security regular salary	12.25%
Social security representation expense	12.25%
Educational insurance	1.50%
Professional risk	0.98%*
Social security salary - 13th month (Aguinaldo)	10.75%
Social security salary rep. exp - 13th month (Aguinaldo)	10.75%
13th month accrual	8.33%
Seniority bonus accrual	1.92%
Severance accrual	0.33%
Vacation accrual	8.33%

* The percentage depends on the company activity.

Employees in Panama have the benefit of receiving an additional salary known as the 13th month. The payment of the 13th month is made in three installments: April, August and December.

It takes into consideration the salaries paid from the second fortnight of December through the first fortnight of April (for the payment of 15 April), from the second fortnight of April through the first fortnight of August (for the payment of 15 August) and from the second fortnight of August through the first fortnight of December (for the payment of 15 December).

Employees are eligible to 30 days of vacation for every 11 months worked.

4. Payroll requirements

As per statutory requirements, employees in Panama must receive biweekly payment.

For the monthly reporting of social security and income, a unique invoice is generated from the SIPE system, with which both income and social security are paid. The payments are due within 30 days of the following calendar month. Salaries presentation must be done before the 21st of each month.

The annual income statement is made using the official form "Planilla 03" (also known as Anexo 03) which contains information on the withholding of income tax for all workers. This form must be submitted to the "Dirección General de Ingresos" (DGI) before the 30th of each month.

The employer must withhold by payroll any loan that the employee has with any financial entity and make the corresponding payment on behalf of the employee.

5. Banking requirements related to payroll

This information is not available.



1. Government requirements

Registration requirements

T-Registro report (new hires and leave details)

The company must register new hires and leave details in T-Registro. This system contains information related to employers, employees, pensioners, service providers, interns, third-party staff and beneficiaries. T-Registro is administered by the tax authority Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT).

For new hires, the employee must provide his or her ID, address and proof of studies, etc. In addition, the company needs to declare information including the commencement date of the new employee, position held and type of contract.

PLAME (electronic payroll report)

For new employees, the company must register information such as name, salary and workday. For details on leave, the company must register the date and the reason for absence (such as vacations, maternity leave, sickness, etc.). In addition, the company must declare the income tax withholds of employees through the payroll to the tax authority (SUNAT).

AFPnet (pension)

AFPnet is a free service that the Pension Fund Administrators' Association offers to all employers so they can prepare, declare and pay their contributions to Pension Fund Administrators (AFPs or PPS) in a very simple way.

Companies setting up in Peru must join AFPnet. The legal representative should sign a form which must be submitted to any local Pension Fund Administrator or AFP. In Peru, the AFPs are: Prima, Profuturo, Habitatad and Integra.

Ongoing compliance requirements

Individual income tax for residents

A progressive tax rate, with an initial deduction of seven tax units (a tax unit (UIT) is equivalent to PEN5,150), is applicable to the salary received by dependent employees (for services rendered in Peru) and is withheld by the employer through the payroll system. The progressive tax rate is as follows:

- ▶ Up to 5 UIT: 8%
- ▶ 5 UIT-20 UIT: 14%
- ▶ 20 UIT-35 UIT: 17%
- ▶ 35 UIT-45 UIT: 20%
- ▶ More than 45 UIT: 30%

In December, a year-end adjustment is made to adjust for any excess or deficit in payment.

Note that as of 2017, employees can deduct three additional tax units (related to personal expenses) if they submit an annual tax return. The tax authority will refund the amount overpaid.

Individual income tax for nonresidents

Foreign employees are only taxed on their Peruvian source income (i.e., income earned for work in Peru, whether paid in the country or abroad). A tax rate of 30% is applied to this income, without any deductions.

EY contact

Alicia Hurtado Costa
T: +51 958 097 744
E: alicia.hurtado@pe.ey.com

Social security contribution – ESSALUD

The Social Health System or ESSALUD is the entity of the Government in charge of providing health care coverage to insured employees and their dependents through a range of benefits covered by health care contributions, as well as through other personal risk insurance. Given that employers must cover their employees' health care, companies must pay a contribution equivalent to 9% of employees' salaries. The contribution is declared and paid through an electronic affidavit (Telematic Declaration Program called PLAME).

If the employer provides health care coverage through private health care provider (called EPS), they can request a credit of up to 25% of the 9% contribution.

Government Pension System (GPS)

The GPS provides benefits in case of retirement, death or disability for employees who have joined this plan. Enrollment is mandatory for all company employees irrespective of the term of their employment agreement or the number of hours worked per day, week or month, provided and they are not enrolled in a private pension system (PPS).

The employer is responsible for deducting each employee's contribution - an amount equivalent to 13% of their salary - from the payroll and paying this to the GPS, through PLAME.

2. Pension requirements

Registration requirements

GPS

Registration is not required.

PPS

The company must register a new employee with the Pension Fund Administrator or their chosen AFP. This should be done within the first few days of the employee starting work.

Ongoing compliance requirements

GPS

GPS contributions must be paid to the tax authority through PLAME. Payments are made on a monthly basis, and the date depends on the last number of the company's tax ID, according to the schedule established by the tax authority.

PPS

This is an alternative to the GPS. Under the PPS, Pension Fund Administrators (AFPs), manage the contributions of employees who have enrolled in this plan through individual capitalization accounts, granting benefits for retirement, disability and survival.

Contributions to the PPS comprise:

- ▶ Ten percent of the employee's insurable remuneration
- ▶ A percentage of the insurable remuneration used to finance the benefits granted for disability, survival and burial expenses
- ▶ Amounts and percentages charged by the AFP in respect of the services they provide

The employer withholds a percentage of the employee's monthly salary and pays it within the first five working days of the following month. The declaration should be made via the AFPnet system.

3. Employment obligations

Workdays and rest time

Working hours shall not exceed eight hours per day or 48 hours per week, excluding the day off (rest time). Atypical working hours are allowed, for example, 14 days of work per one week of rest.

Management and trust personnel who are not subject to immediate supervision are not eligible for overtime.

Overtime

Employees who work overtime receive an additional rate. In accordance with the law, for the first two hours, the rate is equivalent to 25% of the hourly salary and for the following hours, it is 35%. If the employee works on holidays or on his or her days off, the rate is 100%.

Vacation leave

Employees are entitled to take vacation after each year of service.

The vacation leave is equivalent to 30 days, and the employee must use this within the year following the year in which he or she acquired the right, otherwise, the employer will pay a penalty equivalent to one month's salary. Certain personnel, who have decision-making power, (e.g., management personnel) are not subject to the severance payment.

Bonuses

Employees are entitled to two bonuses per year. The first is paid in July and the second in December, each bonus is equivalent to one month's regular salary.

Employees are also entitled to an additional extraordinary bonus equal to 9% or 6.75% (if they are affiliated with a private health entity) of the bonuses paid in July and December.

Compensation for Time of Services (CTS)

This compensation is equivalent to approximately 1.16 of a month's salary per year. It must be deposited, 50% in May and 50% in November, into the financial entity chosen by the employee.

The employee can withdraw up to 100% of the excess of four monthly gross salaries from his or her Compensation for Time of Services (CTS) account. The remaining amount will be available to the employee once the labor relationship has been terminated.

The local government had issued a regulation (Law N° 31480), establishing the possibility for the employees to fully dispose of the CTS deposits accumulated to date. This possibility will be in place with due date 31 December 2023.

Profit sharing

This benefit is calculated on the employer's taxable income. The amount to be distributed annually is between 5% and 10% of taxable income, depending on the activity of the employer.

Employees can only receive a maximum of 18 monthly salaries as profit shares. If there is an excess, it must be paid to a special fund managed by the Government called the National Fund for Labor Training and Employment Promotion (known as "FONDOEMPLEO" in Spanish).

Profit sharing is paid only in companies that have more than 20 employees.

Family allowance

This benefit is equivalent to 10% of the minimum salary "Remuneración Mínima Vital" (RMV).

The allowance is paid on a monthly basis and is applicable only to employees with one or more children under 18 years. In the event that the child reaches the age of majority and is undertaking higher or university studies, this will be extended until the end of said studies, up to a maximum of six years after reaching said age of majority.

Likewise, workers who have one or more children over 18 years of age with severe disabilities, duly certified, are entitled to receive the family allowance.

Basic salary (RMV)

According to the political constitution of Peru (Constitución con letra Capital), the Government establishes the minimum basic salary (known as RMV) that employees must receive. Monthly salaries cannot be lower than this.

4. Payroll requirements

Pay slips

The employer must issue and give a pay slip containing payment information to employees. Employers can use electronic signatures in pay slips and other labor documents. Pay slips must be given to employees on the third working day after payment.

Telematic declaration program (PLAME)

PLAME is a system used to declare payroll taxes (individual income tax, social security contributions, national pension contributions, etc.) to the tax authority (SUNAT). The system contains information related to employers, employees, pensioners, service providers, interns, third-party staff, and beneficiaries.

Payment

Payment can be made in cash or in kind. Payments must be made directly to the employee and must be registered in PLAME.

Payment frequency

Payment can be made weekly, fortnightly or monthly.

5. Banking requirements related to payroll

Payment of taxes must be made in the local currency, called "Sol".

Payroll payment must be made through a local bank account and payments can be made via:

- ▶ Check
- ▶ Electronic funds transfer (EFT) or bank transfer

Inter-bank transfers can be made through the platform of the financial institution.

During a labor inspection, the employer must prove that payments have been made to the employee, so it is recommended to use banking methods that record the deposits.



1. Government requirements

Registration requirements

Registration with the Bureau of Internal Revenue (BIR)

The National Internal Revenue Code of the Philippines (Republic Act No. 8424, as last amended by Republic Act (RA) No. 10963 otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN), requires that every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with the rules and regulations. The withholding tax on compensation income is a method of collecting the income tax at source upon receipt of the income to all employed individuals, whether citizens or aliens, deriving income from compensation for services rendered in the Philippines.

Accordingly, every employer is required to register its employees and secure their Tax Identification Numbers (TIN) or update their employee information for purposes of filing and remitting the proper withholding tax on wages (WTW) to the BIR. The relevant forms for submission are the Application for Registration (BIR Form No. 1902) for new employees without TIN, and Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305) for employee information update.

Registration with other government agencies

Both employer and employees are also required to register with the following government agencies:

- a. Social Security System (SSS) – RA No. 8282
- b. Philippine Health Insurance Corporation (PhilHealth) – RA No. 7875
- c. Home Development Mutual Fund (HDMF) – RA No. 9679

SSS provides social insurance program, health and retirement benefits to employees. PhilHealth covers health insurance coverage for medications of the employees and their dependents. HDMF offers affordable shelter financing, short-term loans and access to housing programs.

Ongoing compliance requirements

Monthly payroll tax

The employer, as a withholding tax agent, is required to file the monthly WTW return using the Monthly Remittance Return of Income Taxes Withheld on Compensation (BIR Form 1601-C). The deadline for filing of tax return and payment of related tax liability depends on the classification of the taxpayer, as follows:

- a. Manual taxpayers – the WTW return and related tax liability shall be filed and paid, respectively, on or before the 10th day of the month following the month when the withholding was made, except for taxes withheld in December, which shall be filed and paid on or before 15 January of the succeeding year.
- b. Taxpayers enrolled in the Electronic Filing and Payment System (EFPS) –
 - ▶ The filing of tax return shall be made on a staggered basis depending on the industry classification of the taxpayer (i.e., 11th to 15th day following month-end)

EY contacts

Aaron C. Escartin
T: +63 2 8910307
E: aaron.c.escartin@ph.ey.com

Nimia A. de Leon
T: +63 2 8910307
E: nimia.a.de.leon@ph.ey.com

- ▶ The payment of tax liability shall be made on or before the 15th day of the month following the month when the withholding was made, except for taxes withheld in December, which shall be paid on or before 20 January of the succeeding year.

Monthly statutory contributions

Every employer is required to deduct from the employee's compensation the required statutory contributions (i.e., SSS, PhilHealth and HDMF). The employer shall remit its share and employee's share in the statutory contributions to the concerned government agencies. The deadline for remittance, which shall be in the following month when the deduction was made, is as follows:

- a. SSS – every last day of the month following the applicable month
- b. PhilHealth – depends on the last digit of the employer's PhilHealth number (i.e., 11th to 15th or 16th to 20th day of the month)
- c. HDMF – depends on the first letter of employer or business name (i.e., 10th to 14th, 15th to 19th, 20th to 24th or 25th to last day of the month)

Year-end payroll tax compliance

Every calendar year-end, the employer is required to compute the annual tax to be withheld on the employee's compensation and compare it with the taxes already withheld in the previous months (i.e., January to November).

In case of deficiency tax, the employer shall withhold the additional tax from the compensation of employee in December. On the other hand, in case of excess tax, the employer shall credit and refund the excess tax to the employees not later than 25 January of the following year.

The employer is required to submit the Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF), including the alphabetical list of employees/payees, to the BIR on or before 31 January of the year following the calendar year when the compensation payment and other income payments subjected to final withholding taxes were paid or accrued.

In addition, the employer is also required to issue the Certificate of Compensation Payment or Income Tax Withheld (BIR Form No. 2316) to the employees on or before 31 January of the succeeding calendar year and submit the signed duplicate copy to the BIR on or before February 28 of the succeeding calendar year. The form shall present the total compensation income received by

the employee and the total amount of tax withheld from said compensation during the calendar year.

2. Pension requirements

Registration of retirement plan

In cases where the employer provides retirement benefits to the employees through a formal retirement plan, the employer shall register the retirement plan with the BIR and secure certification from it to qualify for income tax exemption. In securing the certification, the employer must file a written application and submit the documents required by the BIR. The documents to be submitted depends on whether the retirement plan is a trustee plan, non-trustee/insured plan or multi-employer plan.

Ongoing compliance requirements

Retirement benefits

RA No. 7641 mandates that all employees may retire upon reaching the retirement age established in the collective bargaining agreement (CBA) or other applicable employment contract. The employee shall be entitled to receive the retirement benefits earned under existing law, and the CBA and other agreements. The retirement benefits under the CBA and other agreements shall not be less than those provided in RA No. 7641.

In the absence of a retirement plan or agreement providing for retirement benefits of employees, an employee upon reaching the age of 60 years or the compulsory retirement age of 65 years, and who has served at least five years, may retire and shall be entitled to retirement pay equivalent to at least half a month's salary for every year of service, a fraction of at least six months being considered as one whole year.

The following retirement benefits are exempt from income tax:

- a. Retirement benefits received under RA No. 7641
- b. Those received by employees in accordance with reasonable private benefit plan maintained by the employer, provided that the following conditions are met:
 - ▶ The retiring employee has been in the service of the same employer for at least 10 years
 - ▶ The employee is not less than 50 years of age at the time of retirement
 - ▶ The retirement benefits shall be availed by an employee only once

3. Employment obligations

Minimum wage

The Wage Rationalization Act (RA No. 6727) mandates the fixing of minimum wages applicable to different industry sectors. These are: non-agriculture, agriculture plantation, agriculture non-plantation, cottage/handicraft and retail/service.

The Regional Tripartite Wages and Productivity Boards (RTWPB) determine the daily minimum wage rates in each region. The Regional Wage Orders issued by RTWPB prescribe the daily minimum wage rates per industry per locality within the region and in some instances depending on the number of workers and the capitalization of enterprises.

Compensation income of a minimum wage earner (MWE), who is being paid with statutory minimum wage, shall be exempt from income tax. Holiday pay, overtime pay, night shift differential pay, and hazard pay earned by the MWE shall likewise be covered by income tax exemption. Additional compensation such as commissions, honoraria, fringe benefits, benefits in excess of the allowable statutory amount of PHP90,000, taxable allowances, and other taxable income given to an MWE by the same employer other than those which are expressly exempt from income tax shall be subject to withholding tax using the withholding tax table. Likewise, MWE receiving other income from other sources in addition to compensation income, such as income from other concurrent employers, from the conduct of trade, business, or practice of profession, except income subject to final tax, are subject to income tax only to the extent of income other than statutory minimum wage, holiday pay, overtime pay, night shift differential pay, and hazard pay earned during the taxable year.

Leave entitlement

Every employee who has rendered at least one year of service shall be entitled to a yearly service incentive leave (SIL) of five days with pay. In addition, the following leave entitlement shall be granted to certain employees with full pay:

- a. Maternity leave (RA No. 1161, as amended by RA No. 8282 and as further amended by RA No. 11210) – 105 days (additional 15 days for solo parents)
- b. Paternity leave (RA No. 8187) – seven days
- c. Solo parent leave (RA No. 8972, as amended by RA No. 11210) – seven days
- d. Others
 - ▶ Gynaecology leave (RA No. 9710) – two months
 - ▶ Leave for women and their children who are victims of violence (RA No. 9262) – 10 days

Rest hours

Normal hours of work of any employee shall not exceed eight hours a day. In addition, it shall also be the duty of every employer to give his employees not less than 60 minutes time-off for their regular meals. However, in the following cases, the employer may give a meal period of not less than 20 minutes provided that said shorter meal period is credited as compensable hours worked of the employee:

- a. Work is non-manual work in nature or does not involve strenuous physical exertion
- b. The establishment regularly operates not less than 16 hours a day
- c. There is urgent work to be performed on machineries, equipment or installations to avoid serious loss which the employer would otherwise suffer
- d. The work is necessary to prevent serious loss of perishable goods

Rest periods or coffee breaks running from five to 20 minutes shall be considered as compensable working time except in certain cases when a meal period of not less than 20 minutes may be given by the employer. (Presidential Decree No. 442, s. 1974)

Any work performed beyond eight hours a day shall be considered an overtime work which shall entitle the said employee to an additional compensation equivalent to his or her regular wage plus at least 25% thereof. On the other hand, work performed beyond eight hours on a holiday or rest day shall be paid an additional compensation equivalent to the rate of the first eight hours on a holiday or rest day plus at least 30% thereof. It shall also be the duty of every employer, whether operating for profit or not, to provide each of his employees a rest period of not less than 24 consecutive hours after every six consecutive normal work days.

13th month pay

Pursuant to the provisions of Presidential Decree No. 851 and its implementing rules and regulations requiring employers in the private sector to pay their rank and file employees a 13th month pay on or before 24 December every year, all covered employers are hereby reminded to comply with the following rules:

- a. Thirteenth-month pay shall mean one twelfth (1/12) of the basic salary of an employee within a calendar year
- b. Basic salary shall include all remunerations or earnings paid by an employer to an employee for services rendered but may not include cost-of-living allowances, profit-sharing payments, cash equivalent of unused vacation and sick leave credits, overtime pay, premium pay, night differential, holiday pay, and all allowances and monetary benefits which are not considered, or integrated as part of the regular or basic salary of the employee.

13th month pay and other benefits in excess of the P90,000 threshold are taxable (i.e., Section 32 (B) (7) (e) of the Tax code) and shall be included in the computation of the employees' gross income.

De minimis benefits

De minimis benefits are benefits of relatively small values provided by the employers to the employee on top of the basic compensation intended for the general welfare of the employees. Being of relatively small values, the same is not being considered as taxable compensation and as such, not subject to income tax and withholding tax on compensation.

To further appreciate the tax exemptions, below is the updated list of de minimis benefits in the Philippines both to managerial and rank-and-file employees with some items updated in amounts by Revenue Regulations No. 11-2018 (RR 11-2018), the implementing rule of Tax Reform for Acceleration and Inclusion (TRAIN) or Republic Act No. 10963 effective January 1, 2018 for guidance and easy reference.

- ▶ Monetized unused vacation leave credits of private employees not exceeding 10 days during the year
- ▶ Monetized value of vacation and sick leave credits paid to government official and employees
- ▶ Medical cash allowance to dependents of employees, not exceeding P1,500 per employee per semester or P250 per month
- ▶ Rice subsidy of P2,000 or one sack of rice (50 kilograms) per month amounting to not more than P2,000
- ▶ Uniform and clothing allowance not exceeding P6,000 per annum
- ▶ Actual medical assistance e.g., medical allowance to cover medical and healthcare needs, annual medical or executive check-up, maternity assistance and routine consultations not exceeding P10,000 per annum
- ▶ Laundry allowance not exceeding P300 per month
- ▶ Employees achievement awards e.g., for length of service or safety achievement, which must be in the form of tangible personal property other than cash or gift certificate, with an annual monetary value not exceeding P10,000 received by the employee under an established written plan which does not discriminate in favor of highly paid employees
- ▶ Gifts made during Christmas and major anniversary celebrations not exceeding P5,000 per employee per annum
- ▶ Daily meal allowance for overtime work and night/graveyard shift not exceeding 25% of the basic minimum wage on a per region basis

- ▶ Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive schemes provided that the total monetary value received from both CBA and productivity incentive schemes combined do not exceed P10,000 per employee per taxable year

As further provided under Revenue Regulations No.15-2011 that has become effective starting the year 2011, all other benefits given by employers which are not included in the above enumeration shall not be considered "de minimis benefits, and hence, shall be subject to income tax as well as withholding tax on compensation income. If the employer provides more than the limitations, the amount in excess of the limit would be taxable and subject to withholding tax on compensation. This is however subject to the rule on the P90,000 amount for 13th month pay and other benefits.

Statutory contributions

Both the employer and employee are required to remit monthly contributions based on each employee's gross or basic monthly pay to the following government agencies:

- a. Social Security System (SSS)
- b. Philippine Health Insurance Corporation (PhilHealth)
- c. Home Development Mutual Fund (HDMF)

4. Payroll requirements

Timing of wage payment

Wages shall be paid at least once every two weeks or twice a month at intervals not exceeding 16 days. In case the wages cannot be paid due to circumstances beyond the employer's control, the employer shall pay the wages immediately after such circumstances have ceased. However, no employer shall make payment with frequency less than once a month. (Presidential Decree No. 442, s. 1974)

In case of payment of wages by results involving work which cannot be finished in two weeks, payment shall be made at intervals not exceeding 16 days in proportion to the amount of work completed. Final settlement shall be made immediately upon completion of the work.

Pay slips

Every employer shall pay his employees by means of a payroll wherein the following information and data must be individually shown:

- a. Length of time to be paid
- b. The rate of pay per month, week, day or hours, piece, etc.
- c. The amount due for regular work

- d. The amount due for overtime work
- e. Deductions made from the wages of the employees
- f. Amount actually paid

Employers are encouraged to provide pay slips to all employees one working day before the pay day. Pay slips can be provided as either electronic form or hard copy.

5. Banking requirements related to payroll

Payment of salaries and wages

Wages shall be paid in legal tender. The use of tokens, promissory notes, vouchers, coupons or any other form alleged to represent legal tender is absolutely prohibited even when expressly requested by the employee. Payment of wages by bank checks, postal checks or money orders is allowed where:

- ▶ Such manner of wage payment is customary
- ▶ It is stipulated in a collective agreement

Or

- ▶ Where all of the following conditions are met:
 - a. There is a bank or other facility for encashment within a radius of 1km from the workplace.
 - b. The employer or any of his agents or representatives does not receive any pecuniary benefit directly or indirectly from the arrangement.

- c. The employees are given reasonable time during banking hours to withdraw their wages from the bank which time shall be considered as compensable hours worked if done during working hours.
- d. The payment by check is with the written consent of the employees concerned if there is no collective agreement authorizing the payment of wages by bank checks.

Upon written petition of majority of the workers and employees, all private establishments, companies, business and other entities with at least 20 workers and located within 1km radius to a commercial, savings or rural bank, shall pay the wages and other benefits of their workers through any of said banks, within the period and in the manner and form prescribed under the Labor Code. In addition, upon request of concerned worker or union, the bank through which wages and other benefits are paid shall issue a certification of the record of payment of said wages and benefits of a particular worker or workers for a particular payroll period. (Presidential Decree No. 442, s. 1974)



1. Government requirements

Registration requirements

Registration for social security purposes – employer

There is a legal obligation to register a company for social security purposes within seven days of employing the first individual. This is in accordance with the Act of 13 October 1998 on the Social Security System governed by the Social Security Office in Poland. The registration form for a company is called ZUS ZPA and it must be filed by the company representative or by the payroll provider. Usually, registration of the employer for social security purposes is completed by lawyers at the same time as the legal entity registration. There is no fee for registration in Poland.

With effect from 1 January 2023, every remitter of contributions (employer) is required to set up and maintain a profile on the ZUS Social Security Office - Electronic Services Platform (PUE) and provide the ZUS office with their email address. Failing that, the ZUS office will set up an account on behalf of the remitter.

All electronic letters delivered to the ZUS Office through a PUE platform may be signed using a certified electronic signature, a trusted signature, a personal signature or using the certification of origin and integrity of data, the option the ZUS office makes available for free in the ICT system.

Registration for social security purposes – employees

There is a legal obligation to register each employee for social security purposes within seven days from the date of concluding the contract (date of employment stated in the contract). This is in accordance with the Act of 13 October 1998 on the Social Security System governed by the Social Security Office in Poland. The registration form for the employee is called ZUS ZUA or ZUS ZZA and it must be filed by the company, legal employer or payroll provider. The form must be filed electronically using the dedicated government software called "Platnik" – this software must be used by all employers in Poland for registration and monthly or annual social security reporting. There is no fee for registration in Poland and the Platnik software which can be downloaded from the Social Security website is free.

Registration for the State Fund for Rehabilitation of Disabled Persons (PFRON)

An employer who employs at least 25 full-time employees must pay contributions into PFRON. The contributions can be decreased for each disabled person employed. Companies employing 6% or more disabled persons are exempted from these payments. The obligation for registration and monthly payments is based on the Act on The Rehabilitation of Disabled Persons. The respective registration forms are called DEK-Z and ZAP1 – these are to be filed in hard copy with the signature of the person recognized in the Court Register document (KRS) of the company.

Tax registration

There is no payroll registration for tax purposes in Poland. Each company is registered at the Tax Office by lawyers once the legal entity is created, so no additional registration for payroll purposes is needed.

EY contacts

Marcin Jurczak

T: +48 22 5577080

E: marcin.jurczak@pl.ey.com

Dariusz Tłokiński

T: +48 508 018 438

E: dariusz.tlokinski@pl.ey.com

Dagmara Rogalska

T: +48 512 161 034

E: dagmara.rogalska@pl.ey.com

Magdalena Frackowiak

T: +48 519 511 420

E: magdalena.frackowiak@pl.ey.com

Katarzyna Fudala

T: +48 789 407 656

E: katarzyna.fudala@pl.ey.com

Ongoing compliance requirements

Social Security monthly return

An employer is obliged to declare and pay monthly social security contributions for all salaries paid out. The deadline for submitting monthly returns and paying social security contributions is the 15th day of the following month (according to the Act of 13 October 1998 on the Social Security System in Poland). Monthly returns consist of the following forms:

- ZUS DRA – monthly aggregate form
- ZUS RCA – monthly individual form
- ZUS RSA – monthly sickness absences form
- ZUS RZA – monthly healthcare contributions form (for civil contractors only)

All declaration forms should be submitted to the social security authorities via Platnik. Social security contributions are payable at rates of 13.71% by employees and 14.93% - 17.86% by employers.

Contributions consist of four elements as follows:

Social security	Paid by employer	Paid by employee	Total
Retirement	9.76%	9.76%	19.52%
Disability	4.50%	1.50%	6.00%
Sickness	–	2.45%	2.45%
Accidents	0.67%- 3.60%	–	0.67%- 3.60%

The rate for accident insurance depends on the type of business activity conducted. Retirement and disability insurance are payable by employees and employers up to the specified limit. Sickness insurance is only paid by employees and accident insurance only by employers. Both are uncapped.

The maximum annual remuneration, which is the basis for calculating the contributions to retirement and disability insurance funds, is limited to 30 times the national average monthly salary.

Employers must also pay contributions of 2.45% to the Labor Fund and 0.10% to guarantee the salaries of employees of bankrupt companies (for employers from abroad with no Polish address, the contributions toward the guarantee of salaries are not required).

According to Article 79 of the Act of 27 August 2004 on benefits from the national health fund, healthcare contributions amount to 9% (in 2022) of the employment income which is decreased from the employee social security contribution assessed.

Social security – annual return

Each employer with an average annual employment of 10 employees or more is obliged to file an annual social security return ZUS IWA by 31 January of the following year. This includes information on the average number of employees in the company and number of workplace accidents reported during a year. It is also submitted via the Platnik software. On the basis of the Zakład Ubezpieczeń Społecznych (ZUS) IWA form, ZUS informs the employer on an applicable rate of contribution for the next period (1 April to 31 March).

Monthly tax payments

According to the Personal Income Tax (PIT) Act, all Polish employers must withhold tax on their employees' taxable salary and make payments to the Tax Office by the 20th day of the month following the month of payment. No monthly tax return is filed.

The basic rates for taxpayers whose income is subject to taxation under general terms are defined in accordance with the progressive tax scale, differentiating two income thresholds. These tax rates amount to 12% and 32% as of 1 July 2022.

Income tax for 2022 is payable at progressive rates as follows (the thresholds may be indexed annually):

The following are the tax assessment basis in PLN Tax rate:

- ▶ Up to PLN120,000: 12% of assessment basis minus PLN3,600
- ▶ Over PLN120,000: PLN10,800 plus 32% of amount exceeding PLN120,000

For employees under 26 years, tax rate is zero (no tax is deducted).

Self-employed individuals who work in Poland, or expatriates working for and paid by a foreign entity, are personally responsible for meeting monthly filing requirements. The deadlines are the 20th day of the following month for employment income.

Annual tax information – employer

Once a year, an employer is obliged to file an annual tax return PIT-4R or (PIT-8AR) by 31 January of the next year. PIT-4R includes cumulative information on monthly tax calculated and advances paid for all employees in a monthly split. The annual PIT-8AR form includes information on the lump sum tax paid during a year. All annual tax forms must be submitted to the Tax Office electronically by the authorized person (using an electronic signature).

Annual tax information on employees

Each employer is obliged to provide each employee and the Tax Office with annual information on income earned and tax advances paid. The form is called PIT-11 and the deadline for submission is the end of January (to the Tax authority) and end of February (for employees) of the year following the tax year to which the information relates. Annual information and returns must be submitted to the Tax Office via electronic software (there are different software providers and the fee can also differ).

Monthly PFRON return

According to Article 21 of Act on The Rehabilitation of Disabled Persons, each employer who employs at least 25 people must pay contributions to PFRON and submit a monthly tax return (DEK-I-0 form). The calculation is based on an average rate of employment in a given month and average salary issued by the Polish Government body on a quarterly basis. The form must be submitted via a dedicated web-based application – access is granted by the PFRON Authority. The deadline for payment and the PFRON return submission is the 20th day of the following month.

Annual PFRON return

At the end of the year, by 20th of January of the following year, an annual PFRON return must be filed (in the same way as monthly returns). The form is called DEK-R and it includes the cumulative amount of all contributions paid during a year.

2. Pension requirements

Employee Capital Plans (ECP) - new obligation for employers

Each Polish employer whose employees are subject to social security system in Poland is obliged to implement the Employee Capital Plan (ECP; "Pracowniczy Plan Kapitałowy - PPK" in Polish) by arranging cooperation with a chosen financial institution eligible to run ECP in Poland.

The main goal of ECP is to increase the level of pension received by the individuals after their retirement. The most important impact on the employer is an obligation to sign the respective agreements on managing and running ECP,



pay obligatory contributions (at least 1.5% of an employee's salary) and withhold obligatory deduction from employee's salary (at least 2%).

3. Employment obligations

Personal file administration

As per Article 94 of the Polish Labor Code, each employer in Poland is obliged to set up, keep and update a personal file for each employee. All the documents regarding employment (i.e., personal questionnaires, employment contract and health certificate) must be kept within the file in chronological order, including proper descriptions of each document. The employer is obliged to store the personal file of each employee for 10 years - there is a new regulation which reduced the period from 50 to 10 years and allow electronic versions of the files to be stored - under certain conditions).

Health certificates

As per Article 229 of the Polish Labor Code, prior to starting work, an employee must obtain a health certificate

stating that he or she is able to work in the specified position. Such a certificate should be issued by a physician specializing in workplace health on the basis of a referral issued by the employer. The certificate is issued for a limited period of time, depending on the conditions of work. After that period, the certificate must be renewed. A new certificate has to be issued if an illness lasts longer than 30 days. The employer bears all the costs of issuing a health certificate. The necessary physical examinations should be undertaken, if possible, within the working hours of an employee.

Health and safety regulations course

As per Article 237 of the Polish Labor Code, each employer is obliged to organize a health and safety regulations course for each new employee. The course should take place within working hours. A training company specializing in this type of workplace training should be used. The costs of this training are borne by the employer.



Working regulations and remuneration regulations

Under the Polish Labor Code Act, an employer who employs at least 50 people is obliged to create working regulations (i.e., on working hours, discipline at work etc.) and remuneration regulations. If there are less than 50 employees, the employer is obliged to inform them in writing about the basic regulations within the company.

The government is working on the below amendments to the Labor law, which are planned to be introduced at the beginning of 2023.

- ▶ Labor law changes resulting from:
 - ▶ Directive (EU) 2019/1152 of the European Parliament and of the Council of 20 June 2019 on transparent and predictable working conditions in the European Union (OJ L No. 186, p. 105)
 - ▶ Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents and carers and repealing Council Directive 2010/18 / EU (Official Journal EU L. No. 188, p. 79)
- ▶ Extending the scope of information on the terms of employment of an employee
- ▶ Amendments to employment contracts for a trial period
- ▶ The employee's right to concurrent employment
- ▶ Give the employee the right to inquire about a form of employment with more predictable or safer working conditions, and the employer's obligation to provide a written and reasoned reply to this request
- ▶ The right to free training necessary for a specific type of job or position
- ▶ Changes in parental leave
- ▶ New care giving leave
- ▶ Dismissal from work due to force majeure in urgent family matters caused by illness or accident, if the immediate presence of the employee is necessary
- ▶ Flexible work organization
- ▶ Shortening the period from 24 to 12 months from the child's birth to paternity leave
- ▶ Regulations protecting the employee against any unfavorable treatment by the employer or negative consequences for the employee due to exercising his rights under the provisions of the Labor Code
- ▶ Overtime work, night work, employment in the system of interrupted working time, delegating outside the permanent place of work only with the consent of the employee - change of the child's age from 4 to 8 years of age

- ▶ Clarification of the rules of parental leave
- ▶ Clarification of the rules for granting a leave from work referred to in Art. 188 of the Labor Code
- ▶ Introducing the rules of sobriety control
- ▶ Introducing the rules of "remote work"

4. Payroll requirements

According to the Polish Labor Code, employees must be paid monthly by the end of a given month or at the beginning of the next month but no later than the 10th day of the following month. If 10th falls on a Saturday, Sunday or bank holiday, the salaries must be paid by the previous working day. Salaries can be paid to the employee's bank account and can also be paid in cash.

Pay slips

There is no legal obligation to provide pay slips to employees but the common practice in Poland is to provide them on a monthly basis after the payroll run is confirmed and closed. Pay slips can be electronic or hard copy – there is no regulation on this.

5. Banking requirements related to payroll

There are no legal restrictions regarding salary transfer – it can be paid into a Polish bank account or a foreign bank account.

Payments to authorities

There are no legal restrictions, so payments can be made from a Polish or a foreign bank account number. It is recommended to use a Polish bank account as this is easily recognized by the authority.

However, the transfer of funds outside the EU/EEA may be subject to various restrictions resulting from, for example, the provisions of the Act of 1 March 2018 on counteracting money laundering and financing of terrorism.

Portugal

P



1. Government requirements

Registration requirements

Companies and employees should be registered at the Portuguese Tax Office in order to obtain the taxpayer number.

Social Security (SS)

The registration must always be made online and by 24 hours before the start of the labor contract. The form Mod. RV1009/2022 is only used if the new employee does not have a social security number assigned, where usually this applies to foreign workers (not Portuguese or those who have never worked before in Portugal). Additionally, in this particular case, the form Mod. RV1006/2022 should also be completed.

In Portugal, the information/obligations needed for new employees are as follows:

- ▶ For local employees:
 - ▶ Identification card (cartão de cidadão);
 - ▶ Type of employment contract (permanent; fixed term contract, full or part time, etc);
 - ▶ Regime: Service commission; Remote working (total or parcial); Temporary; Intermittent or discontinuous activity; Not applicable;
 - ▶ Start date of employment contract;
 - ▶ Base pay and seniority;
 - ▶ Weekly labour percentage: Hours worked and Days worked;
- ▶ For foreign workers:
 - ▶ Obtain his Portuguese tax number, in the event that the individual is outside the European Union;
 - ▶ Have a tax representative;
 - ▶ Full address of the residence (home country);
 - ▶ Full name;
 - ▶ Passport;
 - ▶ Parents' names;
 - ▶ Gender;
 - ▶ Marital status;
 - ▶ Mobile and email contact;
- ▶ A statement signed by himself, duly authenticated and passport (this authentication can be carried out in home country);
- ▶ If the joiner is from the European Union it is only necessary to have his identification card to obtain the fiscal number.

Company managers must also be registered at Social Security, following specific requirements.

The majority of the interactions with Social Security Authority is made through internet.

Compensation funds

- ▶ For employment contracts entered into after 1 October 2013.
- ▶ Authority: Management Institute of Social Security Capitalization Funds (IGFCSS, I.P.)
- ▶ Law: Law No. 70/2013 of 30 August
- ▶ Registration procedures: Online on the compensation funds website (www.fundoscompensacao.pt)

EY contacts

Rui Henriques

T: +351 937 912 0028

E: rui.henriques@pt.ey.com

Joao Gregorio

T: +351 937 949 375

E: joao.gregorio@pt.ey.com

Luisa Machado

T: +351 932 599 148

E: luisa.machado@pt.ey.com

- ▶ Details of registration requirement: Registration made by the employer
- ▶ Related registration fee: No registration fee

There is no registration fee applicable.

Ongoing compliance requirements

The payroll process must be performed on a monthly basis.

Personal Income Tax (PIT) and social security monthly obligations

On a monthly basis, companies are required to withhold and pay the PIT due on salaries to the tax authorities by the 20th of the following month. PIT withholdings are computed on the basis of progressive tax rates. The payment of social security contributions are also due by the 20th of the following month.

Remuneration Monthly Statement – Social Security (Portuguese DMR)

- ▶ The total percentage is 34.75% (in most situations), with 23.75% paid by the employer and 11% paid by the employee.
- ▶ The tax must be paid between the 10th and the 20th of the following month.
- ▶ The submission of this report must be made by the 10th of the following month.

Remuneration Monthly Statement – Tax authority (Portuguese DMR)

- ▶ The tax must be paid as per the PIT code (CIRS).
- ▶ The deadline for payment of withholding tax is the 20th of the following month.
- ▶ The submission of this report must until the 10th of the following month.

Compensation funds

- ▶ The payments to be made by employers to the Work Compensation Fund (FCT) is 1% of the basic and daily payments for each employee covered.
- ▶ The payments should be made between the 10th and 20th of each month.

Year-end activities

- ▶ Annual company social activity statistic report (Relatório Único), that includes information from the payroll as well as data about training report, hygiene, safety and health report, freelancers, and strikes.
- ▶ Annual preparation of the individual income and withholding tax summary, for tax purposes.

2. Pension requirements

Registration requirements

Companies are required to register employees at the Portuguese Social Security Authority, in order to subsequently make social security contributions on monthly salaries.

Ongoing compliance requirements

On a monthly basis, companies are required to deliver details of the remunerations (gross salary and additional remuneration components) to the Social Security and Tax Authority on a monthly basis until the 10th day of the following month.

3. Employment obligations

In addition to workplace accident insurance, it is also mandatory for companies to manage health and safety in the workplace. Employees should also be given a medical examination upon admission to the company and at regular intervals during their employment.

Employer's workplace accident insurance (mandatory)

In accordance with the Labor Code and managed by Working Conditions Authority (ACT), employer's workplace accident insurance is mandatory. It is important to note that this insurance must be active from the first day of each employee's contract.

Leave days or working holidays

In accordance with the Labor Code and governed by the ACT, employees are entitled to a minimum annual leave entitlement of 22 days.

In their first year of employment, employees are entitled to two working days for each complete working month, up to a maximum of 20 days. In the following years, employees are entitled to 22 days of leave, however this could change if there is a specific collective agreement.

The minimum wage and rest hours is applicable in a standard way and with specific conditions for each type of company activity.

4. Payroll requirements

The Labor Law regulates contractual relations between the employer and the employee. Accordingly, leave days, rest hours and reasons for dismissal, among others, are defined by this law.

Payment frequency

In general, the remuneration must be available to the employee until the last business day of each month. The employee is entitled to 12 months of salary, one month of holiday allowance and one month of Christmas allowance.

Pay slips

On a monthly basis, employers are required to prepare and issue pay slips to employees, detailing the remuneration paid (and type of remuneration) and corresponding withholding tax and other deductions.

5. Banking requirements related to payroll

- ▶ Salary payments are made using the Single Euro Payments Area (SEPA- Single Euro Payments Area) protocol foreign currency payment to local/foreign staff).
- ▶ Payment through a Portuguese bank account and with a defined agreement with Social Security is mandatory. No possibility of direct debit.
- ▶ Payment of withholding tax should be done through a Portuguese bank account. No possibility of direct debit.

Qatar

Q



1. Government requirements

Qatar Labour Law

The majority of employer-employee relationships in Qatar are regulated by the Law No.14 of 2004 (Labour Law) except those individuals and entities which are expressly excluded. The employees and workers in the ministries and other governmental bodies, public authorities and corporations, companies which the Government establishes or participates in their establishment that are engaged in petroleum fields and in marketing and sale of the petroleum, chemical and petrochemical products and their derivatives, companies which Qatar Petroleum establishes or participates in their establishment or has shares in, workers of existing companies executing exploration agreements and sharing the production, and agreements for the development of the fields and sharing the production, and the joint venture agreements in the field of petroleum operations and petrochemical industries are specifically excluded from Law No. 14 of 2004, and also those whose employment affairs are regulated by special laws.

Employment contract

A written employment contract attested by the Labour Department of the Ministry of Labour and Social Affairs (MOLSA) should be executed for each employee. The employment contract must comprise of three copies with one copy delivered to each of the parties and the third copy to be deposited with the Labour Department. It must specify terms including:

- a. Name of the employer and place of work
- b. Details regarding the employee e.g., name, nationality, profession, residence, and proof of identification
- c. Nature and type of assignment
- d. The employee's start date
- e. Contract period
- f. Agreed salary information

Language

Arabic language must be the language used in employment contracts (Labour Law No. 14, 2004). However, a secondary language may be used for the benefit of non-Arabic speakers with the understanding that the Arabic version is the only legally valid document.

Probation period

The Labour Law states that an employer can subject the employee to a single probation period of not more than six months. During this period, the employer may terminate the employment contract if it is determined that the employee is incapable of carrying out the work by giving three days' written notice.

Restrictive covenants

The Qatar Labor Law permits the inclusion of restrictive covenants in the employment contract; however, the period of restriction cannot be longer than two years. An example of a restrictive covenant could be a non-compete clause.

Termination of employment with notice

If the term of the employment contract is unlimited, each party may terminate it, once probation has been successfully completed, without giving reasons. The notice period shall not be less than one month if the period of service is five

EY contacts

Varun Bakshi

T: +971 50 985 9214

E: varun.kumar.bakshi@ae.ey.com

Husein Dewji

T: +974 3340 3595

E: husein.dewji@qa.ey.com

years or less. If the period of service exceeds five years, the period of service shall be at least two months.

Termination of employment - without notice

The Qatar Labour Law highlights instances for which an employer may dismiss an employee for gross misconduct without notice and without the payment of end of service gratuity.

Some of these instances include:

- ▶ False identity
- ▶ Acts that cause gross financial loss to the employer
- ▶ Violation of safety of workers
- ▶ Failure to carry out essential duties
- ▶ Disclosure of trade secrets

QFC Employment Regulations

The QFC employment provisions set out in the QFC Employment Regulations No.10 of 2006 (QFC Employment Regulations) shall apply to:

- a. Employees of the QFC Authority, the Regulatory Authority, the Civil and Commercial Court, and the Regulatory Tribunal
- b. Employees of QFC Institutions
- c. Employees of QFC Entities

Employment contract

The employer shall give each employee a written employment contract which shall include at a minimum:

- a. Name of the employer and the employee
- b. Date of commencement of employment
- c. Employee's salary or calculation method of salary
- d. Intervals at which the salary is paid
- e. Job title or job description
- f. Whether the employment is for a specified fixed term or of unlimited duration
- g. Place of work
- h. Any terms or conditions relating to hours of work, and annual and sick leave
- i. Reference to any disciplinary rules and/or grievance procedures applicable to the employee
- j. Any other matter that may be prescribed in any rule, policy or order issued under these Regulations.

Employment contracts may be for a fixed term or for an unlimited duration.

Language

All contracts, other documents and written instruments provided for in these Regulations shall be made in the English language.

Probation period

The employment contract may contain a provision subjecting the employee to a probation period, provided

that the probation period shall not exceed six months. The employee shall not be subjected to more than one probation period with the same employer except for cause. If such a probation period exists, the employer may terminate the employment contract within the terms of the probation period if it is determined that the employee is not capable of carrying out the work for which he has been employed. In such a case, the employer shall give the employee no less than two weeks' written notice.

Restrictive covenants

Any provision in an employee's employment contract that provides that the employee may not work on any similar projects or for a company which is in competition with the employer must be reasonable, must not constitute an unreasonable restraint on trade, and must be appropriate to the circumstances of the employee's employment with the employer.

Termination of employment with notice

The notice required to be given by an employer or employee to terminate an employee's employment, where the employee has been continuously employed for one month or more, shall not be less than:

- ▶ Two weeks if the continuous period of employment is less than three months
- ▶ One month if the period of continuous employment is three months or more but less than five years
- ▶ Three months if the period of continuous employment is five years or more

Termination of employment without notice

The QFC Regulations highlight instances under which an employer may terminate an employee's contract of employment without notice. Some of these instances include:

- ▶ Material breach of contract by employee
- ▶ Submission of false documentation by employee
- ▶ Acts that cause gross financial loss to the employer
- ▶ Divulgence of trade secrets
- ▶ Physical assault of other employees

Ongoing compliance requirements

Qatar Labour Law

There are no personal income tax regulations in Qatar. However, monthly pension contributions apply in relation to Qatari citizens that are employed by the government.

QFC Employment Regulations

There are no personal income tax regulations in Qatar. However, monthly pension contributions apply in relation to Qatari citizens that are employed by the government.

2. Pension requirements

Registration requirements

Qatar Labour Law

The employer maintaining a retirement system or any similar system which secures for the employee a greater benefit than the end of service gratuity to which the employee is entitled shall not be obligated to pay the end of service gratuity in addition to the benefit he offers under the system referred to. If the net benefit accruing to the employee is less than the end of service gratuity, the employer must pay to the employee the end of service gratuity and must return to him any amount whereby the employee might have contributed to the system referred to, and the employee may choose between the end of service gratuity and any pension he is entitled to under such system.

End of service benefits

Upon completion of one year's continuous service with the employer, each employee is entitled upon termination, to an end of service gratuity payment which is calculated based on an employee's final basic wage. At minimum standard, the method of calculation is three weeks of the employee's final basic wage for every completed year of service. Fractions of service, i.e., parts of years, are to be paid to the employee pro-rata.

Government pension system

Qatar's government pension system is administered by the General Retirement and Social Insurance Authority (GRSIA) in accordance with the provisions of the Retirement and Pension Law No. 24 of 2002 and supervised by the Ministry of Administrative Development, Labor and Social Affairs.

Qatari citizens, employed by the government, and who have made a total of 15 years worth of contributions, receive a state pension when they reach 60 or 55, respectively. An option for early retirement at 40 is available, however 15 years of contributions are still required. The size of the pension is based on the final salary of the employee at the time of retirement (the salary in the last year of employment). Additional social allowance benefits are designated according to an individual's final salary and time of service. The Qatar's government pension system is open to Qatari citizens employed in ministries, public institutions, agencies, joint stock companies and others as determined by the Council of Ministers at the GRSIA. Pensions are also issued to civilian and military retirees, or to their eligible beneficiaries in the event of death.

Qataris who work in the private sector are not eligible under the government pension system. It is the responsibility of the individual to negotiate a pension arrangement with their employer.

Expatriates are not eligible for pension from the Qatari government. However, they are entitled to end of service benefits from their employers in Qatar.

QFC Employment Regulations

The Retirement and Pensions Law shall apply to all employees of Qatari nationality employed by the QFC Authority, the Regulatory Authority and any other employer which may be determined by resolution of the Council of Ministers and notified by that Council in writing of the determination.

End of service benefits

There is no corresponding obligation in the QFC to provide any form of end of service gratuity, the provision of any such payment would be a contractual arrangement between the parties.

Ongoing compliance requirements

Qatar Labour Law

- ▶ The Qatari (citizen) employee bears monthly contribution equivalent to 5% of salary, the employer bears the monthly contribution rate by 10% of the employee's gross salary.
- ▶ Contributions by Qatari (citizen) employees in other GCC countries may be higher, ranging from 5.5%-8% of salary, in order to make up the required 15% total pension contribution
- ▶ Qataris (citizens) who work in other countries within the GCC and who are eligible for a government pension system are included under Law No.4 of 2007.

QFC Employment Regulations

- ▶ The Qatari (citizen) employee bears monthly contribution equivalent to 5% of salary, employer bears the monthly contribution rate by 10% of the employee's gross salary.
- ▶ Contributions by Qatari (citizen) employees in other GCC countries may be higher, ranging from 5.5%-8% of salary, in order to make up the required 15% total pension contribution.
- ▶ Qataris (citizens) who work in other countries within the GCC and who are eligible for a government pension system are included under Law No.4 of 2007.

3. Employment obligations

Qatar Labour Law

Working hours

The maximum limit of the normal working hours shall be 48 hours per week, and of eight hours a day in all the months of the year, except during the month of Ramadan where the maximum working hours shall be 36 hours per week of six hours per day and is applicable to both fasting and non-fasting employees. The Labour Law also details how overtime should be paid.

Overtime

The employees may be employed for extra hours in addition to the working hours, provided that the total actual working hours per day shall not exceed 10 hours, unless the work is necessary to prevent a gross loss or dangerous accident or to repair or mitigate the effects resulting from such loss or accident.

Annual leave

An employee who has completed one continuous year in the service of the employer shall be entitled to an annual leave. This leave shall not be less than three weeks for the employee whose service is less than five years, and four weeks for the employee whose service is five years or more.

Sick leave

An employee is entitled to a period of 12 weeks of sick leave for every year of service. The sick leave shall not be granted until the completion of at least three months service and is subject also to the production of a medical certificate from a physician approved by the employer. The employee should receive full pay for the first two weeks of the sickness absence; half pay for the next four weeks with the final six weeks being unpaid. An employer is entitled to terminate an employee after the 12th week of sickness absence if it has been proved by a report issued by a competent physician that the employee is unable to resume work.

Holidays

Each employee shall be entitled to the following paid holidays each year:

- ▶ Three working days on the occasion of Eid Al-Fitr
- ▶ Three working days on the occasion Eid Al-Adha
- ▶ One working day on the occasion the Independence Day
- ▶ Three working days, their dates to be specified by the Employer

If the work conditions require the employment of the worker during any such leaves, the employer shall pay the

employees for the additional working hours a payment that shall not be less than the payable basic wage for the normal working hours plus an extra pay not less than 25% thereof. The employer shall also pay the workers working between 9:00 p.m. and 6:00 a.m. the payable basic wage plus a payment not less than 50% thereof, except workers working on shift schedules.

Maternity leave

A female employee who has been employed by an employer for a complete year shall be entitled to maternity leave with full pay for a period of 50 days. Such maternity leave shall include the period before and after the delivery provided that the period following the delivery shall not be less than 35 days.

QFC Employment Regulations

Working hours

The maximum working hours per week is 48 hours. In Ramadan, an employee who is observing the fast shall not be required to work in excess of six hours per day.

Overtime

Employees may be required to work additional hours to the working hours provided that the actual working hours per day shall not exceed 10 hours unless the work is necessary for the prevention of gross loss or dangerous accident or for the repair or alleviation of the consequences of the above loss or accident. In the event of overtime, the employer shall pay the employee for the additional working hours at the rate of not less than the basic wage plus any additional amount agreed with the employee, or provide the employee compensatory time, as provided for under the terms of his employment.

Annual leave

An employee is entitled to not less than 20 working days of annual leave to be accrued pro rata if the employee has been employed for at least three months. Annual leave is exclusive of national holidays to which an employee is entitled. An employee is not entitled to payment in lieu of accrued annual leave except where the employee's employment is terminated, or the employer agrees otherwise.

Sick leave

The maximum annual sick leave entitlement without a medical opinion certifying an appropriate medical condition is 30 days and up to 90 days with such certified medical opinion. If an employee takes an aggregate of 90 days in any 12-month period, the employer may terminate the employee immediately with written notice

Holidays

Each employee shall be entitled to the following paid holidays each year:

- ▶ Three working days for Eid El-Fitr
- ▶ Three working days for Eid Al-Adha
- ▶ One working day for the National Day
- ▶ Three working days to be specified by the Employer
- ▶ One working day for National Sport Day
- ▶ Any other day declared by the State as a public holiday and announced by the QFC Authority as applicable to the QFC

If the circumstances of the work require the employee to work during any such holidays, the employee shall be compensated for the rest day by another day, or as otherwise agreed by the employer and employee.

Maternity leave

A female employee who has been employed for a complete year preceding the eighth week before the expected week of childbirth is entitled to be paid maternity leave for a period of three months. Such paid maternity leave shall include the period before and after the delivery.

4. Payroll requirements

Qatar Labour Law

Salary payments for employees must be processed through the Wages Protection System (WPS). Payroll records will need to be converted into a predefined structured Salary Information File (SIF). The structure of the SIF is governed by the Ministry of Labour and Social Affairs (MOLSA) and has been communicated to local banks by the Qatar Central Bank as a mandatory file format to be adhered to for

processing the WPS to monitor the documents and process of employees' salary payments. Employees appointed on an annual or monthly basis shall be paid their salaries at least once in a month. Employees who are not appointed on an annual or monthly basis shall be paid at least every two weeks. All companies must pay their employees through WPS within seven days of the due date.

Penalties for non-compliance:

- ▶ A sentence of not more than a month in prison; and
- ▶ A fine of not less than QR2,000 and not more than QR6,000 per employee

QFC Employment Regulations

There is no corresponding obligation to comply with WPS in the QFC. The employer shall pay the employee his salary at least monthly.

5. Banking requirements related to payroll

Qatar Labour Law

All salary payments must be transferred electronically directly from an employer's local Qatari bank account into the employee's Qatari local bank account. The salary payment must be made in Qatari Riyals.

QFC Employment Regulations

Salary and other payments due to the employee should be paid in the currency stated in the employment contract or any currency agreed between the employer and employee.

Rwanda

R



1. Government requirements

Registration requirements

Registration with the Rwanda Revenue Authority (RRA)

Tax registration is compulsory for income earning entities or bodies and individuals receiving income subject to Personal Income Tax (PIT). On registration at the company Registry, which is housed in the Rwanda Development Board (RDB) premises, a Tax Identification Number (TIN) is automatically issued to the entity, and is reflected on the Certificate of Company Registration; however there are also some circumstances where RRA registers taxpayers and provides them TINs directly for example where a taxpayer is a cooperative or a project. However, in both cases the entity is required to complete registration with the Rwanda Revenue Authority (RRA), indicating the specific tax heads for which it is registered, payroll taxes being one of them. Where the employees are to comply with their PIT obligations via employer tax withholding, there is no requirement for the employees to register separately with the RRA. However, in situations where they are to file their own individual income tax returns, they are required to register in their individual capacities with the RRA, and they are also assigned TINs. Individuals and employers are required to register for monthly filing; however tax payer with annual turnover below two hundred million (FRW200,000,000) can choose to file quarterly.

Tax procedures law governs the registration requirements of Pay-As-You-Earn (PAYE) and the income tax act provides for the components of the tax base of PAYE and calculation of PAYE to be paid.

Ongoing compliance requirements

Monthly or quarterly employer tax return filing and payment

Where employees are to comply with their tax obligations via employer tax withholding and payment, the employer is required to prepare a monthly payroll tax return or quarterly return, if their annual turnover is below FRW200,000,000, showing all its employees and their taxable employment income, including benefits in kind, the calculation of the tax payable by each of them, their contributions to social security and maternity leave benefits schemes, and the net pay. The monthly returns and the tax or social security or maternity leave benefits scheme contributions thereon are due for filing with and payment to the RRA and RSSB by the 15th day of the following month or quarter.

Monthly or quarterly employee tax return filing or payment

Where employees are to comply with their tax obligations via individual income tax filing and payment, they are required to prepare a return each month or quarter showing their total taxable earnings, the calculation of tax and social security contributions payable, and their net pay. The return and tax payment in local currency are due by the 15th day after the end of the month or quarter to which the return relates.

EY contacts

Francis Kamau

T: +254 736 701851

E: francis.kamau@ke.ey.com

David Kilimo

T: +250 788 309977

E: david.kilimo@ke.ey.com



2. Pension requirements

Registration requirements

Registration with the Rwanda Social Security Board (RSSB)

Following registration with the RRA, the entity is also required to register with the RSSB, which is responsible for collecting social security and maternity leave benefits scheme contributions. The employer is required to register within seven working days from employment of the first employee. This registration can be done online by visiting the web portal of the RSSB, and it is free of charge, i.e., there is no registration fee.

Ongoing compliance requirements

Pension and maternity leave benefits scheme contributions to RSSB

Every month, the employer is required to prepare a return showing the gross monthly earnings of each of its employees that is subject to social security and maternity

leave benefits scheme contributions. The employer contributes 5% of the gross employee earnings less transport and/or any other compensatory allowances subject to social security contributions while the employee contributes 3%. The social security and maternity leave benefits scheme returns and contributions are due for filing with and payment to the RSSB by the 15th day of the month following the month of contribution. Employees being assigned from a foreign entity to a Rwandan entity for not more than 12 months may apply for exemption from pension and maternity leave benefits scheme contributions in Rwanda, so long as they continue contributing to their home pension scheme and can provide evidence to that effect. Similarly, employees of Rwandan entities who are sent on assignment to other entities abroad for not more than 12 months are required to continue contributing to the RSSB.

Community Based Health Insurance Scheme

Employees are required to make contribution to the scheme on a monthly basis.

A statutory deduction of 0.5% of every employee's net salary is to be contributed to the community-based health insurance scheme.

Employers should remit these contributions to RSSB on or before the 15th of the following month.

3. Employment obligations

Employee insurance

All employers are required to take out Workmen's Compensation Insurance cover for all their employees without exception. It is an offense to be found employing people without this insurance cover.

Leave entitlement

Every employee is entitled to a minimum of two working days of annual leave per calendar month, making 24 days per year. Employees are also entitled to sick leave if they can produce a certificate from a medical practitioner showing that such leave is necessary for them to recuperate. However, the law provides for a maximum paid sick leave of three months. Thereafter, the employee can continue on sick leave with suspended pay for another three months, following which the employer can decide to terminate the relationship if the employee has not been able to return to work.

Working hours

Employees are required to work a maximum of eight hours per day, typically between 8 a.m. and 5 p.m., with a one-hour lunch break. The period between 8 a.m. and 9 a.m. is considered a flexible working hour.

4. Payroll requirements

Employers are expected to pay their employees at the end of every calendar month.

5. Banking requirements related to payroll

There is no payment control process; employees can be paid either through the bank or by cash without any restriction.

There are no exchange control regulations in Rwanda.

Kingdom of Saudi Arabia

S



1. Government requirements

Registration requirements

Registration with Ministry of Human Resource and Social Development (MHRSD)

According to the Saudi Labor Law, all entities are required to register with the Ministry of Human Resource and Social Development (MHRSD). In order to register, the entity needs to provide its Commercial Registration certificate, Articles of Association, Chamber of Commerce verified signatures and business site license to MHRSD.

Ongoing compliance requirements

According to the Saudi Labor Law, all entities are obligated to fulfil their Nitaqat requirement by adhering to the Nitaqat Nationalization thresholds. The entities are also required to have formal employment contracts with all the employees (Saudi and Non-Saudi).

a. Nitaqat requirement

The MHRSD has specified 12-12-1438 AH equivalent to 3 September 2017 as the date of implementing the new Nitaqat nationalization thresholds. The MHRSD had previously announced an updated Nitaqat nationalization threshold required by the private sector in accordance with the changes in the labor market. Employers may access the percentages of the updated Nitaqat nationalization thresholds by visiting the Nitaqat program's portal on the MHRSD's website. The MHRSD has determined the Nitaqat nationalization thresholds based on the types of economic activities of companies and the size of their labor force.

b. Employment contract

In accordance with the Saudi Labor Law, a formal employment contract between employer and employee (both local and expatriate) should be in place. Moreover, the entity needs to maintain the employee related data, records, files, work contracts, discussions and instructions issued should be in the Arabic language. If the employer uses a foreign language beside Arabic in any of the documents, the Arabic text shall prevail.

In accordance with the Saudi Labor Law, the employment contract for a non-Saudi shall be for a specified period. If the period is not specified, the duration of the work permit shall be deemed as the duration of the contract.

2. Pension requirements

According to General Organization for Social Insurance (GOSI) law, all entities are required to register with GOSI. Once an entity is registered, it should register its employees (Saudi and Non-Saudi) on the GOSI portal. The Saudi employees shall be registered from the date of joining and non-Saudi employees shall be registered from the date of sponsorship change.

EY contacts

Sohail Nini

T: +966 504207949

E: sohail.nini@sa.ey.com

Alaa H Qattan

T: +966 509091122

E: alaa.h.qattan@sa.ey.com

Ongoing compliance requirements

Based on the Saudi Labor Law, all entities must create an end of service benefit provision for both Saudi and non-Saudi employees. Moreover, entities are required to report the end of service provision amounts in the financial statements as per IFRS endorsed in Saudi Arabia.

In addition to end of service benefits, Saudi citizen employees are also entitled to receive pension from the GOSI once their service period has ended. A Non-Saudi employee will only receive occupational hazard benefit in case of any accident during his or her employment. The employee will not be entitled to receive pension after his or her retirement.

a. End-of-service benefits

The end of service (EOS) benefit provision calculation defined under the Saudi Labor Law is summarized as follows:

- ▶ Half of the latest monthly gross salary per year up to the first five years from the date of joining.
- ▶ The full amount of the latest monthly gross salary per year for the remaining years after the first five years.

There is no different treatment for Saudi citizens and resident employees.

An employment agreement may be ended by resignation, termination, maturity of contract, force majeure or redundancy. The Saudi Labor Law provides guidance with regards to the calculation of the settlement for each case as below.

In case of resignation, the employee will get the end of service benefit based on the following:

Period of service	EOS benefit paid
Less than or equal to two years	No EOS benefit
More than two years and less than five years	One-third of EOS benefit
More than five years and less than 10 years	Two-thirds of EOS benefit
More than 10 years	Full EOS benefit

In case of termination, maturity of contract or force majeure, the employee will get the benefit based on the following:

Period of service	EOS benefit paid
Less than or equal to five years from the date of joining	Half of latest monthly gross salary times number of years served
More than five years from the date of joining	Half of latest monthly gross salary for the first five years and full amount of the latest monthly gross salary per year for the remaining years after the first five years.

According to the Saudi Labor Law, in case of termination, the employer shall pay the final settlement within a maximum period of one week from the date of end of contractual relations. However, if the employee resigns, the final settlement shall be paid within a maximum period of two weeks after deducting any work-related debts.

b. General Organization for Social Insurance (GOSI)

In accordance with GOSI regulations, a Saudi citizen employee is required to pay monthly social insurance contributions to receive pension benefits.

The contribution is computed on contributory wage (i.e., monthly basic salary, housing allowance and fixed commission). The minimum and maximum monthly earning levels of contributory wages for Saudi employees are SAR1,500 and SAR45,000, respectively. For Saudi nationals, the contribution is at the rate of 21.50% and is paid by both the employee (9.75%) and the employer (11.75%) (toward pension, occupational hazard and unemployment).

An expatriate employee is not eligible for pension benefit. However, the employer needs to contribute 2% toward occupational hazard. The minimum and the maximum monthly earnings to calculate contributions are SAR400 and SAR45,000 respectively.

For a Saudi citizen to obtain pension benefits, the following eligibility criteria need to be met:

- ▶ Attaining the minimum age of 60
- ▶ Nonparticipation in any work subject to the pension scheme
- ▶ Contribution period of not less than 120 months

For Gulf Cooperation Council (GCC) residents employed in Saudi Arabia, it is the employer's responsibility to deduct the GOSI contributions from their salary at the following rates:

Nationality	Employer's share	Employee's share
Bahrain	9%	8%
Kuwait	9%	9.5%
Oman	9%	7%
Qatar	9%	6%
UAE	9%	6%

The contributions should be remitted to the social insurance organization of the employee's country through the local banks.

3. Employment obligations

General employer obligations

According to the Saudi Labor Law, employees are entitled to annual leave, sick leave, maternity leave, Hajj or pilgrimage leave, Eid holidays, public holiday leave, examination leave, bereavement leave, paternity leave, marriage leave and overtime pay. They are detailed below as follows:

a. Annual leave

According to the Saudi Labor Law, an employee shall be entitled to a prepaid annual leave of not less than 21 days, to be increased to a period of not less than 30 days if the employee spends five consecutive years in the service of the employer. The employee shall avail his or her leave in the year it is due. However, the employee may defer the leave days to the following year, if the employer approves.

b. Sick leave

In accordance with the Saudi Labor Law, an employee whose illness is proven by submitting the medical certificate shall be eligible for sick leave in a year, as follows:

- ▶ Sick leave with full pay - first 30 days
- ▶ Sick leave with one-third pay - within 60 days after the first 30 days
- ▶ Sick leave with no pay - final 30 days after the 60 days

c. Maternity leave

A female employee is entitled to paid maternity leave for a duration of ten weeks under the Saudi Labor Law. If she has a medical problem, the leave will be spread out across four weeks before the expected delivery date and six weeks after delivery. The employee's physician or a medical report certified by the health authorities will establish the most likely date of giving birth. If the female employee has a medical condition that necessitates the presence of a continuous companion, she can take another one-month paid leave after the maternity leave term ends, with the option to extend the leave for another month without pay.

Employers must pay a female employee half her wage during maternity leave if she has worked for one year or more, and a full wage if she has worked for three years or more as of the start date of the leave. If a female employee has taken a full-pay maternity leave in the same year, she will not be paid any salary during her usual annual leave. If she had taken a half-pay maternity leave in the same year, she will be paid half of her normal salary during her annual absence.

Other leaves

d. Hajj or pilgrimage leaves

As per the Saudi Labor Law, an employee is entitled to 10 and not more than 15 days (including the Eid Al-Adha holiday) to perform Hajj if the employee has put in at least two consecutive years of service with the employer. However, an employee is entitled to this leave only if the employee has not performed Hajj previously. The employer may also determine the number of employees who shall be granted this leave annually in accordance with work requirements.

e. Eid holidays

As per the Saudi Labor Law, each employee in Saudi Arabia is entitled to paid leave on Eid Ul-Fiter and Eid Al-Adha and other occasions specified in the Saudi Labor Law.

f. Public holiday leaves

There are two public holidays in Saudi Arabia – Foundation Day and National Day. Foundation Day is on 22 February and the National Day is on 23 September. Employees are entitled to get paid leaves during these public holidays.

g. Examination leaves

As per the Saudi Labor Law, an employee enrolled in an educational institution shall have the right to a fully paid leave to sit for an examination of an unrepeatable year. Days of leave shall be based on the actual number of the examination days. However, for the examinations of a repeated year, an employee shall be entitled to unpaid



leave to sit for the examinations. The employer may require the employee to submit documents in support of the leave application as well as proof of having taken the examination. The employee shall apply for the leave at least fifteen days ahead of the date of examination. Without prejudice to disciplinary action, the employee shall be denied the wage if it is proven that he had not taken the examination.

Moreover, if the employee does not receive the employer's approval to enroll in an educational institution, the

employee has the right to take unpaid leave to sit for an examination. This unpaid leave is calculated by subtracting the actual number of examination days from the annual leave days and if it is used, it is considered unpaid leave.

h. Bereavement leaves

As per the Saudi Labor Law, five days of paid leave are allowed in the case of the death of the employee's spouse or one of his descendants or ascendants.

i. Paternity leaves

In accordance with the Saudi Labor Law, an employee shall be entitled to three days of paid leave in the case of childbirth.

j. Marriage leaves

An employee shall be entitled to five days of paid leave for his or her marriage in accordance with the Saudi Labor Law.

Overtime

An employee is entitled to the below overtime benefit as mentioned in the Saudi Labor Law:

- ▶ The employer shall pay the worker for overtime working hours, an additional amount equal to the hourly wage, plus 50% of hourly rate of the basic wage.
- ▶ If the firm operates on the basis of weekly working hours, the hours in excess of the hours considered as the criterion shall be deemed overtime hours.
- ▶ All working hours during holidays and on Eid days shall be deemed overtime hours.

4. Payroll requirements

Wage Protection System (WPS)

According to the Saudi Labor Law, a Wage Protection System (WPS) must be implemented by entities. The details for the WPS are as follows.

The employee's wages and all other entitlements shall be paid in Saudi Riyals. Wages shall be paid during working

hours and at the workplace, in accordance with the following provisions:

- ▶ Employees paid daily shall be paid at least once a week.
- ▶ Employees paid on a monthly basis shall be paid once a month.
- ▶ If the work is done by the piece and requires a period of more than two weeks, the employee shall receive a weekly payment commensurate with the completed portion of the work. The balance of the wage shall be paid in full during the week following delivery of the work.
- ▶ In cases other than the above, the employee's wages shall be paid at least once a week.

The employer under whom the employees are registered should pay the salaries of the employees.

Salaries for the employees should be paid by the employer under whom the employees are registered.

5. Banking requirements related to payroll

Pursuant to the Saudi Labor Law regarding the implementation of the WPS, wages must be paid through accredited banks in Saudi Arabia. An employer needs to create a bank upload file to be uploaded on the bank portal. The bank portal will generate a txt. file after processing the payments.

The employer needs to login to their business account on MHRSD portal called "Mudad" to submit the txt. file without opening it.



1. Government requirements

Registration requirements

Registration of CorpPass

Singapore Corporate Access (CorpPass) is a corporate digital identity for businesses and other entities (such as non-profit organizations and associations) to transact with Government agencies online. The organization can then authorize employees or third parties to access government e-Services on their behalf.

Auto Inclusion Scheme (AIS) for employment income

The employer may need to register for AIS by accessing myTax Portal under the website of Inland Revenue Authority of Singapore (IRAS) and login via one of the three selections: (a) Personal Tax with SingPass, (b) Business Tax with CorpPass, (c) Tax Agent Login Business Client with CorpPass.

Under the AIS, the employer needs to submit the Form IR8E (Reporting of employees' employment earnings) and appendices to IRAS directly. The submitted information will then be automatically included in the employee's income tax assessment, and hence the employee does not have to report the income earned in the company when filing their own tax return.

With effect from YA2021, participation in AIS is compulsory for employers with six or more employees or employers who have received the "Notice to File Employment Income of Employees Electronically" gazetted under S68(2) of the Income Tax Act. Employers with less than six employees can also join the AIS by completing the registration form and submitting it to IRAS.

Ongoing compliance requirements

Tax clearance for foreign and Singapore Permanent Resident employees

For foreign employees and Singapore Permanent Resident (PR) employees terminating their employment with the company, the employer will need to withhold all the monies due to the individual upon receiving notification of the cessation. Thereafter, the employer will lodge Form IR21 (Notification of a Non-Citizen Employee's Cessation of Employment or Departure from Singapore) and Appendices (if any) to the IRAS and report the employee's total remuneration earned for the year. Form IR21 must be submitted to the IRAS at least one month before the cessation date. Employers who fail to comply with this notice requirement may be liable to a fine up to SGD1,000, unless the IRAS accepts a shorter notice.

Once the employee's taxes have been finalized, IRAS will issue a directive to the company to remit over an amount to cover the employee's taxes and release the balance amount withheld (if any) to the employee. A Singapore PR employee with no intention to leave Singapore permanently may provide a "Letter of Undertaking (LOU)" stating that he or she will not leave Singapore permanently. With this LOU, employer does not need to perform the tax clearance for the said employee.

EY contact

Olivia Yeoh
T: +65 6340 2128
E: olivia.yeoh@sg.ey.com

Reporting employees' earnings

The tax system in Singapore is territorial in nature, where income is subject to tax in Singapore if it accrues in or is derived from Singapore. For employment income, it is generally regarded to be Singapore-sourced if it arises from the exercise of employment in Singapore irrespective of where the contract is made or where the remuneration is paid or charged. As such, all payment (whether in the form of cash or in-kind, including the employer's contributions toward an overseas pension or provident fund, gains from equity awards, etc.) made by an employer to an employee in respect of his or her employment in Singapore are taxable in the hands of the employee. All employers are required by law (S68(2) of the Income Tax Act) to prepare Form IR8A/E and Appendix 8A/E, Appendix 8B or Form IR8S (where applicable) for all the employees who are employed in Singapore by 1 March of each following year.

Skills Development Levy (SDL)

As required by law under the SDL Act, all employers are required to pay a monthly SDL for each of their employees working in Singapore (regardless of nationality) rendering services either wholly or partly in Singapore. This includes employees on part-time or casual employment and business travelers from overseas office. The levy amount will depend on the gross monthly remuneration of an employee. For an incomplete month of service in Singapore, the employer can pay the levy amount on the basis of the pro-rated remuneration. The levy is 0.25% of the remuneration in any month. The minimum amount is SGD2 per month per employee and maximum amount is SGD11.25 per month per employee.

The SDL payment is usually made together with the Central Provident Fund (CPF) contributions. However, for companies with only foreign employees, submission and payment have to be made directly to the SkillsFuture Singapore Agency (SFS) in the absence of a CPF account.

Self-Help Group Fund (SHG)

The SHGs include Chinese Development Assistance Council (CDAC) Fund, Mosque Building and Mendaki (MBMF) Fund, Singapore Indian Development Association (SINDA) Fund and Eurasian Community Fund (ECF). The SHGs are set up to uplift the less privileged and low-income households in the Chinese, Muslim, Indian and Eurasian communities respectively. Depending on the race or religion of the employee (local and foreign employees), the employer will need to deduct a prescribed amount from the relevant employee's monthly remuneration.

The contribution amount will depend on the specific agency's contribution rate and the employee's monthly remuneration. The CPF board is the authorized collection agency for all SHGs. Payment for these funds should be made by the 14th of the following month.

2. Pension requirements

Registration requirements

Registration for Central Provident Fund (CPF)

The Central Provident Fund (CPF) is a comprehensive social security savings plan that provides many working Singaporeans with a sense of security and confidence for their retirement years. It is mandatory for employers to make CPF contributions for all Singapore citizen employees and Singapore PR employees. This requirement is governed by the CPF Act (Chapter 36). All employers are required to apply for a CPF Submission Number (CSN) to make CPF payments as soon as they intend to hire any Singapore citizen or Singapore PR employees.

Ongoing compliance requirements

CPF contributions

The CPF contribution amount will depend on the type of citizenship, age and the wages of an employee. The employer can deduct the employee's contribution from the employee's monthly wages. The employer will need to make monthly contribution to the CPF Board. The CPF payment should be made by the 14th of the following month. Interest on late payment is calculated daily at the rate of 1.5% per month, starting from the first day of the following month after the contributions are due (e.g., interest for August CPF contributions will be calculated from 1 September). The minimum interest payable is SGD5 per month.

CPF contributions are not mandatory for Singapore citizens or Singapore PRs working overseas although they are legally employed by a Singapore entity. However, employers who wish to continue making CPF contributions for Singaporean or Singapore PR employees posted overseas can still make voluntary CPF contributions. A separate CPF submission number will need to be applied for this voluntary contributions.

CPF contribution changes: Increase in CPF Ordinary Wage ceiling for 1 September 2023 and 1 January 2024

The CPF Ordinary Wage (OW) ceiling limits the amount of OW that attract CPF contributions in a calendar month for all employees. The OW ceiling will be raised from SGD6,000 to SGD8,000 by 2026, with the first increase to SGD6,300 taking place on 1 September 2023. With effect 1 January 2024, the OW ceiling will increase to SGD6,800. The increase will take place in four steps to allow employers and employees to adjust to the changes.

There will be no change to the CPF annual salary ceiling of SGD102,000, which sets the maximum amount of CPF contributions payable for all salaries received in the year, inclusive of both Ordinary Wages and Additional Wages.

There will be no changes to the Additional Wage ceiling and CPF Annual Limit, where they will remain at SGD102,000 - Total Ordinary Wage subject to CPF for the year and SGD37,740 respectively.

This change impacts both the employees and the employers. Business costs will increase as a result to the increased CPF Contribution that the employer has to provide for the employee. While employer contributions will increase, the increased monthly salary ceiling may result in a lower take-home pay for employees.

CPF contribution changes: Increase in CPF contribution rates for senior workers between the age group of 55 to 70

From 1 January 2023, contribution rates for workers aged 55 to 70, increased by 1.5%, in which the employer contribution for this age group was increased by 0.5%. This means that employers of senior workers will incur higher costs as a result of this change.

From 1 January 2024, contribution rates for workers aged 55 to 65, will be further increased by 1.5%, in which, the employer contribution for this age group will increase further by 0.5%. Contribution rates for workers aged 65 to 70, will be further increased by 1%, in which, the employer contribution for this age group will increase by 0.5%.

There is no change to the CPF contribution rates for the other age groups.

Changes in Foreign Worker Levy (FWL) rates for S Pass (work visa)

The S Pass Basic/Tier 1 levy rate will also be raised progressively. The previous change was in September 2022 whereby the levy rate was increased from SGD350 to the current levy rate of SGD450.

With effect 1 September 2023, the S Pass Basic/Tier 1 levy rate increased from SGD450 to SGD550, resulting in higher cost for employers. There are no changes to the S Pass Tier 2 levy which will remain at SGD650.

3. Employment obligations

Employment Act

- ▶ Covering all employees under the Employment Act
- ▶ Covering more non-workmen under Part IV of the Employment Act
- ▶ Wrongful dismissal claims to be heard by The Employment Claims Tribunals (ECT)

Covering all employees under the Employment Act

With the current amendments to the Employment Act, Managers and executives with a monthly basic salary of more than SGD4,500 will be covered by the Employment Act. This means that all employees, with the exception of seafarers, domestic workers and public officers, in Singapore will be covered for core provisions such as:

- ▶ Minimum days of annual leave
- ▶ Paid public holidays and sick leave
- ▶ Timely payment of salary
- ▶ Statutory protection against wrongful dismissal

Seafarer, domestic workers and public officers continue not to be covered under the Employment Act. They are covered by other Acts and regulations due to the nature of their work.

Covering more non-workmen under Part IV of the Employment Act

Non-workmen earning up to SGD2,600 will be covered under Part IV of the Employment Act. Part IV of the Employment Act provides additional protections such as hours of work, rest and overtime pay. It covers workmen earning up to SGD4,500 and non-workmen earning up to SGD2,600.

Wrongful dismissal claims to be heard by The Employment Claims Tribunals (ECT)

Wrongful dismissal claims will be heard by the ECT.

As the ECT already hears salary-related claims, this shift will provide a more convenient one-stop service to both employees and employers. Similar to the existing process for salary-related claims, employees have to register their wrongful dismissal claims at The Tripartite Alliance for Dispute Management (TADM) for mediation. If the claims cannot be resolved through mediation, they will be referred to the ECT.

Key Employment Terms (KETs)

From 1 April 2016, employees who enter into a contract of service must be issued KETs in writing within 14 days from the start of employment.

This is to extend better protection for the employees and prevent any employment disputes that may arise. The items to include are full names of employer and employee, job titles and main duties and responsibilities, start date of employment, duration of employment if on fixed-term contract, working duration such as daily working hours, number of working days per week and rest day, salary period, basic salary, fixed allowances and deductions, overtime payment period and rate of pay, bonus and incentives, types of leave and entitlement, and probation and notice period. The KETs can be in soft or hardcopy.

Employment records

From 1 April 2016, all employers must maintain detailed employment records of employees covered under the Singapore Employment Act. The two categories of records are employee records and salary records. The records can be kept in soft or hard copy, including handwritten records. The latest two years records must be kept for current employees and last two years records for employees who have left employment. Employee records include address, identification numbers, date of birth, gender, date of starting and leaving employment, working hours and date of leave taken.

Under the Personal Data and Protection Act (PDPA), with effect from 1 September 2019, organizations should inform the employees of the purposes for the collection, use and disclosure of their personal data and obtain their consent prior to the collection, use and disclosure (as the case may be). In many cases, consent could be obtained at the point of appointing the new employee. It may, however, also be necessary to obtain consent at various points during the employment relationship when the organization requires more personal data or intends to use or disclose the employee's personal data for other purposes. Even if consent is given, employees may withdraw that consent under the PDPA.

Paid leave

Under the Singapore Employment Act, employees who are covered under Part IV of the Employment Act and have completed at least three months of services with the employer, will be entitled to paid annual leave. At the minimum, employees are entitled to paid annual leave of at least seven days for the first year of service and additional one day per increase year of services.

For hospitalization leave, the entitlement for all employees with at least six months of services is 60 days per annum and this includes the 14 days outpatient sick leave entitlement. Other paid leaves include maternity leave, paternity leave, shared parental leave and childcare leave. These leaves will be subjected to the eligibility of the employees.

Hours of work, overtime and rest

Under Part IV of the Singapore Employment Act, the contractual working hours per week should not be more than 44 hours. Employees are also not required to work more than six consecutive hours without a break.

However, if the nature of the work requires continuous work up to eight hours, breaks of at least 45 minutes must be provided for meals. Employees can claim overtime if they are a non-workman earning up to SGD2,600 or a workman earning up to SGD4,500. The overtime rate payable for non-workmen is capped at the salary level of SGD2,600, or an hourly rate of SGD13.60. For overtime work, the employee must be paid at least 1.5 times the

hourly basic rate of pay and payment must be made within 14 days after the last day of the salary period. An employee is not allowed to work more than 12 hours a day, except for special circumstances. The employee can only work up to 72 overtime hours in a month.

Work on rest day or public holidays is not counted in the 72-hour overtime limit, except for work done beyond the usual daily working hours on those days. Such extra hours are included in the 72-hour limit.

The employer must provide one rest day per week. A rest day comprises one whole day (midnight to midnight). It is not a paid day. For shift workers, the rest day can be a continuous period of 30 hours. A 30-hour rest period that starts before 6 p.m. on a Sunday is considered as one rest day within the week, even if it extends into the Monday of the following week. A week is one continuous period of seven days starting from Monday and ending on Sunday. The employer cannot compel employees to work on a rest day, unless under exceptional circumstances.

The employer determines the rest day, which can be on a Sunday, or any other day of the week. Other than the rest day, the other days of the week which employees do not need to work are not considered rest days. If the rest day is not a Sunday, the employer should prepare a monthly roster and inform employees of the rest days before the start of each month. The maximum interval allowed between two rest days is 12 days.

4. Payroll requirements

Itemized pay slips

From 1 April 2016, itemized pay slips must be issued to employees who are covered under the Employment Act. A soft or hardcopy of the pay slips must be given to the employees within three working days from the salary payment. The latest two years itemized pay slips must be kept for current employees and last two years itemized pay slips for employees who have left employment. Salary record include full name of employer/employee, date of payment, start and end date of salary period, basic salary, allowances and deductions, overtime hours worked, pay and start and end date of overtime payment period, and net salary paid in total. In an event of termination or dismissal, the employer must provide the final pay slip together with any outstanding salary.

Salary payment

The salary must be paid at least once a month to employees who are covered under the Employment Act. The salary must be paid within seven days after the end of the salary period.

- For overtime work, salary must be paid within 14 days after the end of the salary period.

- ▶ For employees who resigns and serves the required notice period, the final salary should be paid on the last day of employment.
- ▶ For employee who resigns without notice and does not serve the notice period, the final salary should be paid within seven days of the last day of employment.
- ▶ For employee who is dismissed or terminated, the final salary should be paid on the last day of employment. If this is not possible, then the final salary should be paid within three working days from date of termination.

5. Banking requirements related to payroll

Banking of salary and wages

Payroll payments can be made in one or a combination of:

- ▶ Cash
- ▶ Check, money order or postal order, payable to the employee
- ▶ Electronic funds transfer (i.e. EFT or bank transfer)

If wages are paid in cash to local employees, the employer and employee must have a mutual agreement and a signed record to confirm the amount of money that has been paid for each pay period.

Reference Links

- ▶ "Individual Income Tax," Inland Revenue Authority of Singapore website, <https://www.iras.gov.sg/taxes/individual-income-tax/employers>, accessed 8 April 2022
- ▶ "Employment practices," Ministry of Manpower website, <https://www.mom.gov.sg/employment-practices>, accessed 8 April 2022
- ▶ "Employer matters," Central Provident Fund Board website, <https://www.cpf.gov.sg/employer>, accessed 8 April 2022
- ▶ "PDPA overview," Personal Data Protection Commission Singapore website, <https://www.pdpc.gov.sg/Overview-of-PDPA/The-Legislation/Personal-Data-Protection-Act>, accessed 8 April 2022
- ▶ "Singapore Corporate Access - Find out more," Singapore Corporate Access website, <https://www.corppass.gov.sg/corppass/common/findoutmore>, accessed 8 April 2022
- ▶ "Change in FWL Payment Method from Sept 2022", Central Provident Fund Board website, <https://www.cpf.gov.sg/employer/faq/making-cpf-contributions/cpf-ezpay/what-are-the-changes-to-cpfezpay-ftp-specifications>, accessed 11 November 2022
- ▶ "Increase in CPF Contribution Rates from Jan 2023", Central Provident Fund Board website, <https://www.cpf.gov.sg/employer/infocenter/news/cpf-related-announcements/increase-in-cpf-contribution-rates-from-1-january-2023>, accessed 11 November 2022
- ▶ "CPF: CPF Contribution Changes from 1 September 2023 and 1 January 2024." Central Provident Fund Board (CPF), www.cpf.gov.sg/employer/infocenter/news/cpf-related-announcements/new-contribution-rates, accessed 12 September 2023.
- ▶ "Upcoming Changes to S Pass Eligibility." Ministry of Manpower Singapore, www.mom.gov.sg/pass-and-permits/s-pass/upcoming-changes-to-s-pass-eligibility, accessed 12 September 2023.

Slovakia

S



1. Government requirements

Registration requirements

Tax registration

Employer registration for the Personal Income Tax (PIT) purpose (payroll tax) must be completed within 30 days from the company being registered in the Commercial Register. The mandatory communication with the tax authorities is done via a specialized electronic portal. There is no fee for the registration of employer for the payroll tax purposes in Slovakia.

Social Security registrations

Social Security System in Slovakia is defined by Act No. 461/2003 Coll. on Social Insurance effective as of January 2004 and the governing authority in Slovakia is the Slovak Social Security Authority (SIA). The list of the respective branch offices of the SIA is provided at the authority's official website.

Registration for social security purposes – employer

There is a legal obligation to register the company for social security purposes prior to the start of the employment of the first employee and to deregister the company within eight days after the last employee is terminated. The employer must sign in to the registry kept by the respective branch office of SIA. Upon registration of the employer, the competent SIA branch office allocates the "Identification number of Employer" aka "Identifikačné číslo zamestnávateľa" (IČZ) to the employer.

There is no fee for the registration of the employer for social security purposes in Slovakia.

Registration for social security purposes – employees

There is a legal obligation to register each employee for social security purposes prior to the start date of employment concluded in the contract. Upon termination of employment, deregistration of the employee from the social insurance is done by the employer. This information needs to be submitted via the same form as registration and it has to be done within eight days from the employee's contract termination. There is no fee for the registration of the employee for social security purposes in Slovakia.

Health insurance registration

The Health Insurance System in Slovakia is defined by the Health Insurance Act No. 580/2004 Coll. There are three different health insurance companies in Slovakia currently, one public and two private ones:

- ▶ Všeobecná zdravotná poisťovňa, a.s. (public)
- ▶ Union zdravotná poisťovňa, a.s. (private)
- ▶ Dôvera zdravotná poisťovňa, a.s. (private)

Every employer must register in the same health insurance company where its employees are registered.

EY contacts

Marián Bíž

T: +421 233 339 130

E: marian.biz@sk.ey.com

Vadim Bogomolov

T: +421 233 339 247

E: vadim.bogomolov@sk.ey.com

Registration for health insurance purposes – employer

The employer is obliged to register with the particular health insurance company when the first employee is registered. Each health insurance company has its own format of application for registration. The registration have to be done electronically via the health insurance authority portal.

Registration for health insurance purposes – employees

Each individual needs to be registered for public health insurance in Slovakia in the Health Insurance Company of his or her choice meeting one of the following criteria:

- ▶ The person has a permanent residency in Slovakia
- ▶ The person is employed by the employer with a registered office or branch in Slovakia

There is a legal obligation for the employer to register each employee for health insurance purposes, within eight days from the start date of employment concluded in the contract. Upon termination of employment, deregistration of the employee from the health insurance is done by the employer via the same form as a registration and it has to be done within eight days upon contract termination.

There is no fee for the registration of the employee for health insurance purposes in Slovakia.

Ongoing compliance requirements

Tax compliance

After the registration for payroll tax purposes, there is a monthly and annual filing obligation for the employer, which can be done only electronically. The monthly tax withholding report for a particular month has to be filed with the Slovak Tax Authority by the end of the following month. The annual tax withholding report for a particular year has to be filed with the Slovak Tax Authority by the end of April of the following year.

The tax rates applicable for the employment income derived in 2024 are as follows:

- ▶ Annual taxable income (except for income from capital and dividend income) up to EUR47,537.98 is taxed at 19%.
- ▶ Annual taxable income (except for income from capital and dividend income) above EUR47,537.98 is taxed at 25%.

The calculated payroll tax has to be deducted by the employer from the employee's salary and paid to the Slovak Tax Authority within five days after the pay date.

Social Insurance compliance

After the registration for social security purposes, there is a monthly filing obligation for the employer, which can be done only electronically. The monthly social security report for a particular month has to be filed with the Slovak Social Security Authority on a pay date at the latest.

The social insurance caps and rates applicable for the employment income derived in 2024 are as follows:

Social security	Maximum monthly assessment base for 2023	Employer's part	Employer's part	Total
Sickness insurance	EUR9,128	1.40%	1.40%	2.80%
Old-age insurance	EUR9,128	14.00%	4.00%	18.00%
Disability insurance	EUR9,128	3.00%	3.00%	6.00%
Accident insurance	No ceiling	0.80%	–	0.80%
Contributions to fin. support	EUR9,128	0.50%	–	0.50%
Unemployment insurance	EUR9,128	0.50%	1.00%	2.00%
Guarantee insurance	EUR9,128	0.25%	–	0.25%
Solidarity reserve fund	EUR9,128	4.75%	–	4.75%
Contributions total (%)	N/A	25.20%	9.40%	34.60%

The calculated social security contributions (employer's and employee's part) have to be paid to the Slovak Social Security Authority on a pay date at the latest.

Health Insurance compliance

After the registration for health insurance purposes, there is a monthly filing obligation for the employer, which can be done only electronically. The monthly health insurance report for a particular month has to be filed with the selected Health Insurance Company within three days after the pay date.

The health insurance rates applicable for the employment income derived in 2024 are as follows:

	Employer's part	Employee's part	Total
Health insurance rate	10%	4%	14%

There are no caps in the health insurance in Slovakia, the contributions are paid from the whole employment income. The calculated health insurance contributions (employer's and employee's part) must be paid to the selected health insurance company within three days after the pay date.

2. Pension requirements

Registration requirements are not applicable here. Pension contributions are part of the obligatory social insurance contributions in Slovakia (as described earlier).

Ongoing compliance requirements

Compliance requirements are not applicable here. Pension contributions are part of the obligatory social insurance contributions made by the employer in Slovakia and are reported as a part of the monthly social security report.

3. Employment obligations

Except for the aforementioned laws, the Slovak Labour Code regulates individual and collective labor relations. An employee's maximum weekly working time is 40 hours per one week.

The minimum monthly wage applicable in Slovakia for 2024 is EUR750 per one calendar month. The minimum hourly wage applicable in Slovakia for 2024 is EUR4,310 per one hour.

Level of labor complexity	Coefficient	Minimum wage
1	1	EUR750
2	1.2	EUR866
3	1.4	EUR982
4	1.6	EUR1098
5	1.8	EUR1214
6	2	EUR1330

Employers are obliged to provide their full-time employees with meals that shall meet requirements of healthy nutrition. This can be done either through the company's own catering facilities or public catering facilities. An employer who does not provide meals in his own catering facility or in another employer's facility is obliged to allow employees to choose between meal vouchers or financial contribution for meals. The employee is bound by his selection for a period of 12 months from the date to which the selection relates. Employees are entitled to receive the meal voucher and financial contribution for meals for each working day when they have worked for more than four hours in a working shift.

The amount of the financial contribution in 2024 depends on whether:

- ▶ The employer contributes to the meals of other employees - in this case the amount of the financial contribution will be the same amount as the employer contributes to the meals of other employees, but not more than EUR4.29
- ▶ The employer does not contribute to the meals of other employees - in this case the amount of the financial contribution will be at least 55% of the minimum value of the meal ticket, i.e., EUR3.22 but not more than EUR4.29

The minimum value of a meal voucher is EUR5.85.

The value of a meal voucher can reach up to EUR7.80.

Provision of employees' meals is exempt from health and social insurance contributions as well as from income tax.

The employer shall contribute to employees' meal vouchers at least by 55% of its value.

Similar rules apply for business trips, since employers are obliged either to provide the employees with a meal during their business trip or to provide a compensation in a form of travel allowances, depending on the duration of the business trip and destination.

For domestic business trips (within Slovakia), the travel allowances applicable as of 1 Oct 2023 are as follows.

Length of the business trip	Travel allowances amount
5-12 hours	EUR7.80
12-18 hours	EUR11.60
More than 18 hours	EUR17.40

Different amounts of travel allowances are applicable for foreign business trips, depending on the destination of the business trip.

When a meal is provided to the employee during the business trip (e.g., as a part of the accommodation), the travel allowances are proportionally reduced as shown in the figure:

Provided food	Travel allowances reduction
Breakfast	25%
Lunch	40%
Diner	35%

Compensations:

Saturday work

Employees who work on Saturday are entitled to a wage surcharge of at least EUR2.155 for every worked hour.

Sunday work

Employees who work on Sunday are entitled to a wage surcharge of at least EUR4.310 for every worked hour.

Night work

If the majority of a shift falls between 10 p.m. and 6 a.m., it is considered a night shift. Employees who work night shifts are entitled to a wage surcharge of at least EEUR1.724 for every worked hour.

Public holidays

Employees must be paid their normal wage plus a surcharge of at least 100% of their average earnings if they work on a public holiday, even if that holiday falls on their rest day.

If employees do not work because a public holiday falls on their normal working day, they are entitled to wage compensation equal to their average earnings. However, for employees who are paid monthly, holidays are counted and paid as normal working days, therefore, they are not entitled to wage compensation for public holidays.

Overtime

Employees must be paid at least 25% premium for time worked in addition to the weekly standard hours, although, the employee may agree with the employer on a compensatory time off in lieu instead of the overtime pay. The overtime premium for hazardous work must be at least 35%.

Average weekly working hours including overtime generally cannot exceed 48 hours per one week.

An employee can be required to work up to 150 hours of overtime in a calendar year and can voluntarily work up to 400 hours in one calendar year.

Vacations

The Slovak Labour Code stipulates that employees are entitled to four weeks (20 work days) of paid vacations per one calendar year. If an employee is more than 33 years old, he or she is entitled to an extra week of vacation with full pay, i.e., five weeks of paid vacations in total per one calendar year. As of 2020, employees who are less than 33 years old but have permanent care of the child have annual vacation entitlement of five weeks, i.e., 25 days for particular year.

As of 2022, employee who starts or stops caring for a child permanently during a calendar year is entitled to a proportional increase in leave for the calendar year to five weeks. This is determined by the ratio of the number of days of permanent care of the child in the relevant calendar year and the number of days of the calendar year.

Other absences and compensations

Doctor's visit

Employees are entitled to receive a paid leave (with average wage compensation) for a visit of a doctor in a medical facility for a maximum of seven days per one calendar year and another seven days per one calendar year for a doctor's visit in a medical facility with a family member.

Maternity leave

Standard maternity leave in Slovakia is 34 weeks and the government pays 75% of the worker's salary during the leave. In case of multiple births, the worker can receive up to 43 weeks of maternity leave.

Termination of employment

An employee's job may be terminated under a range of conditions, including immediate termination, by mutual agreement or during a probationary period. An employee can terminate employment without specifying the reason. The employer can terminate employment only according to the provisions of the Labour Code. The employee can be entitled to receive the severance payment upon termination of employment in specific situations stated in the Labour Code.

4. Payroll requirements

In Slovakia, the payroll is prepared on a monthly basis, with 12 payroll runs per one calendar year. All employees have to be paid for their work on a pay date at the latest. The pay date is determined and agreed in writing with the employee in the employment contract.

Pay slips

Together with the salary payment, the employer is obliged to provide employees with their pay slip, two days after the pay date at the latest. The pay slip can be provided either in a hard copy or electronically (via email or through the designated portal), depending on the agreement with the employee.

5. Banking requirements related to payroll

There are no legal restrictions regarding salary transfer in local currency – it can be paid into a Slovak bank account or a foreign bank account.

Payments to authorities

Since there are no legal restrictions, the payments in local currency can be made from a Slovak or a foreign bank account number. However, it is recommended to use a Slovak bank account (if available), as this is easily recognized by the authorities.

Slovenia

S



1. Government requirements

Registration requirements

Registration for social security contributions

In accordance with the Employment Relationship Act, an employer in Slovenia should register the employee into mandatory pension, disability, health, and unemployment insurance with the Institute for Pension and Disability Insurance of Slovenia. The employer should file form M-1 and attach the signed employment contract. According to the employment contract, the employer should register their employees in Social Security Insurance prior to the day of commencement of employment. The employer should provide their employees with a photocopy of the registration form within 15 days after the employment starts. Legal entities that are registered in the Business Register of Slovenia should register the employee through the online state portal for business and entrepreneurs (i.e., e-VEM portal). The employer can access the e-VEM system with qualified digital certificate. Further, they may also authorize a third party for the entry of application forms. There is no registration fee.

There is no special tax registration in Slovenia related to payroll. However, each employer should have the Slovenian tax number in order to report payroll related data to the Slovenian Tax Authorities on a monthly and annual basis.

Ongoing compliance requirements

Monthly electronic filings

An employer is required to electronically file payroll-related data to the Slovenian Tax Authorities on or before the salary payment date for each period. Further, the employer should also report salary related data to the Slovenian Statistical Authorities (i.e., Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES)) on a monthly basis. The due date for reporting to AJPES is the last working day of the month, during which the salary is paid to the employees.

The type of return that should be filed with the Slovenian Authorities depends on the type of income:

- ▶ Slovenian Tax Authorities:
 - ▶ REK-O: Withholding tax return for the income from employment (includes REK form – withholding tax for income from employment for every individual employee)
 - ▶ REK-O: Withholding tax return for payments to apprentices, pupils and students for compulsory practical training
 - ▶ REK-1B: Withholding tax return from pensions, compensations and other income under the compulsory social insurance
 - ▶ REK-O: Withholding tax return for the income that is not an income from employment under Personal Income Tax (PIT) Act

All taxpayers (employers) that pay withholding tax to the Slovenian Tax Authorities on behalf of their employees are required to file the above returns.

Additionally, the following is to be reported to AJPES - Slovenian Statistical Authorities:

- ▶ 1-ZAP/M form: Monthly cumulative data on paid salaries and the number of employees
- ▶ Data with respect to paid holiday allowance: "Izplačilo regresa za letni dopust"

EY contacts

Matej Kovacic
T: +386 1 583 17 62
E: matej.kovacic@si.ey.com

Mojca Lukač
T: +386 1 583 17 31
E: mojca.lukac@si.ey.com

Dina Čosić
T: +386 1 583 18 78
E: dina.cosic@si.ey.com

Živa Lukač
T: +386 1 583 18 59
E: ziva.lukac@ey.com

All legal entities of the private sector (companies, cooperatives, legal entities of private law, associations) that have at least one employed person are subjected to the above reporting.

Annual reports

By the end of January, the employer should send a report on all paid out earnings for the previous year to the employee. The report must include all income-related payments made to the employee in the reporting year (i.e., salaries, reimbursements and severance payments).

By the end of each year, employers should also submit control data on year-round tax relief for dependent family members (VIRVDC data).

Social security contributions and PIT rates

Below, you can find the list of contributions paid by the employee, employer and PIT with their corresponding rates for the year 2024. Minimum base for calculation of social security contributions for year 2023 amounts to EUR1,214.35.

Social security contributions – paid by employee

Name	Percentage of gross salary
Contribution for pension and disability insurance	15.5%
Contribution for health insurance	6.36%
Contribution for employment	0.14%
Contribution for parental care	0.1%
Total	22.1%

Social security contributions - paid by employer

Name	Percentage of gross salary
Contribution for pension and disability insurance	8.85%
Contribution for health insurance	6.56%
Contribution for employment	0.06%
Contribution for injuries at work	0.53%
Contribution for parental care	0.1%
Total	16.1%

As of 1 January 2024, a mandatory flat supplement health insurance is introduced in amount of EUR35 and is payable from employees gross monthly income.

2. Pension requirements

Pension registration

The pension registration happens automatically when the employer electronically registers a new employee into the mandatory pension, disability and health insurance and unemployment insurance via the M-1 form on the e-VEM portal.

In compliance with Act Governing the Register of Insured Persons and Beneficiaries of Rights Provided under Pension and Disability Insurance, the deadline for registration of a new employee into the pension system is the start date of the employment written in the employment contract, and no later than the employee's first presence at work. There is no registration fee for this process.

Voluntary pension schemes

Companies can also set up a voluntary pension scheme for their employees. Employees can decide if they want to be included into the collective voluntary pension scheme, which is either partially or fully funded by the employer. The pension scheme is set up with a private insurance company and therefore there are no legally defined rates or conditions.

Ongoing compliance requirements

Monthly electronic filings

According to the Employment Relationship Act, the employer is obligated to submit monthly payroll reports which includes information about social security contributions and withholding tax to the Slovenian Tax Authorities and the Slovenian Statistical Authorities.

As already mentioned above, the employer should electronically submit form REK-O to the Slovenian Tax Authorities by the day of the salary payment and form 1-ZAP/M, which should be electronically submitted to the Slovenian Statistical Authorities by the last working day of the month in which the salary was paid to the employees.

Social security contributions for pension and disability insurance are as follows:

Name	% of gross salary
Contribution for pension and disability insurance paid by the employee	15.5%
Contribution for pension and disability insurance paid by the employer	8.85%
Total	24.35%

3. Employment obligations

General

In accordance with the Employment Relationship Act, the employer is obligated to provide the employee with work agreed upon in the employment contract. Moreover, unless agreed otherwise, the employer should provide the employee with all the necessary means and material that the employee requires for the work in order to fulfil the obligations uninterrupted and ensure access to business premises.

Salary

The employer should ensure appropriate remuneration for the work done by the employee. The payment for work under the employment contract consists of a salary that should always be in cash and any other possible types of payments, if so determined by the collective agreement. The employer should comply with the minimum salary that is determined by law or collective agreement and which directly binds the employer. According to the Minimum Wage Act, the minimum monthly gross salary in Slovenia for 2023 is EUR1,203.36.

The employee is entitled to extra payments for special working conditions such as:

- ▶ Night work
- ▶ Shift work
- ▶ Overtime work
- ▶ Sunday work
- ▶ Work on public holidays and other free days

The amount of the allowances referred to in the preceding paragraph are determined by collective agreements.

The employee is also entitled to past work allowance for the years of employment. The amount is determined by the collective agreement. Further, the employer should reimburse the employee any expenses relating to meals during work, travel expenses to and from work and of expenses the worker incurs when performing certain work and tasks on business travels.

Rest hours and breaks

A worker, who works full-time (i.e., eight hours), has the right to a break of 30 minutes during daily work. There is also a limitation for daily rest between two successive working days – the employee should have at least 12 uninterrupted hours within a period of 24 hours to rest.

Annual leave

The employees are entitled to an annual leave which cannot be shorter than four weeks in an individual calendar year, regardless of whether they work full-time or part-time. The minimum number of days of an employee's annual leave depends on the distribution of working days within the

week of an individual employee. Certain groups of people such as older workers, disabled workers, workers who care for a child, have the right to extra days of annual leave. Additionally, an employee may also be entitled to extra days of annual leave due to excessive workload or other reasons determined in the collective agreement.

Holiday allowance

The employer is obligated to pay holiday allowance to the employee who is entitled to annual leave at least in the amount of the minimum wage. Holiday allowance should be paid out to the employee at the latest by 1 July of the current calendar year.

Conditions for safety and health of workers

The employer should also provide the conditions for safety and health of workers in accordance with special regulations on safety and health at work.

Severance payment

The employer who terminates the employment contract due to business reasons or due to the reason of incapacity is obligated to pay the worker a severance payment. The basis for the calculation of the severance payment is the average monthly salary which was received by the employee, or which would have been received by the employee if working, in the last three months before the termination of employment contract. Additionally, the severance payment also depends on the employee's length of service.

Therefore, according to Slovenian legislation the employee should receive a severance pay amounting to:

- ▶ One-fifth of the salary basis referred to in the preceding paragraph for each year of employment with the employer; if the worker has been employed with the employer for more than one and up to 10 years
- ▶ One-quarter of the salary basis referred to in the preceding paragraph for each year of employment with the employer; if the worker has been employed with the employer for a period from 10 to 20 years
- ▶ One-third of the salary basis referred to in the preceding paragraph for each year of employment with the employer; if the worker has been employed with the employer for a period exceeding 20 years

Further, unless otherwise stipulated in a branch collective agreement, upon the termination of the employment contract, the employer should pay a worker who has been employed with the employer for a period of at least five years and is about to retire, a severance pay in the amount of two average monthly salaries in the Republic of Slovenia in the past three months, or in the amount of two average monthly salaries of the worker in the past three months, if this is more favorable to the worker. The employer may pay severance pay covered by special insurance.



The employer who terminates a fixed term contract is also obligated to pay the worker a severance payment. The basis for the calculation of the severance payment is the average monthly salary which was received by the employee, or which would have been received by the employee if working, in the last three months before the termination of the fixed-term employment contract. In the event of termination of a fixed-term employment contract concluded for one year or less, the employee is entitled to severance pay in the amount of one-fifth of the basis. If the fixed-term employment contract is concluded for more than one year, the employee is entitled to severance pay in the amount from the previous sentence, increased by a proportional part of the severance pay from the previous sentence for each month of work.

In the case of replacement of a temporarily absent worker, in the event of termination of a fixed-term employment contract for seasonal work lasting less than three months in a calendar year, and in the event of termination of a fixed-term employment contract for public works or termination of fixed-term employment concluded for the purpose of inclusion in active employment policy measures in accordance with the law the employee is not entitled to severance.

4. Payroll requirements

According to the Employment Relationship Act, salary is paid out in payment periods, which may not be longer than one month. The salary should be paid within 18 days after the end of the payment period. The employer is obligated to inform the employee of the day of the payment. Any change in the day of payment should be communicated to the employee in advance by written notice in a manner customary to the employer.

The salary, the reimbursement of work-related expenses and other benefits to which the employee is entitled are paid to the employee's bank account. The employer is obliged to provide the employee with a statement of remuneration paid by the end of the payment day in which all the data on salary, wage compensation, reimbursement of work-related expenses and other benefits to which the employee is entitled are evident (i.e., pay slip). The pay slip should be distributed (via email or physically) at the latest on the day of the payment.

5. Banking requirements related to payroll

According to the Employment Relationship Act, the salary, the reimbursement of work-related expenses and other benefits to which the worker is entitled should be paid to the employee's bank account. The salary should be available to the worker on a fixed payment day. The employer bears all the costs related to the payment of salaries. All salaries, social security contributions and taxes should be paid out on the same day. The salary should be in Euros. There are no other special controls. The salary can be paid out from a foreign bank account.

South Africa

S



1. Government requirements

Registration requirements

Government registration requirements are in accordance with the Income Tax Act, No. 58 of 1962 (as amended), Skills Development Levies Act No. 9 of 1999, and Unemployment Insurance Act No. 4 of 2002. The governing authority is the South Africa Revenue Service (SARS). There are no registration fees applicable for the registration for Pay-As-You-Earn (PAYE), Skill Development Levy (SDL) or Unemployed Insurance Fund (UIF) contributions.

Registration for employees' tax (PAYE)

Any employer who pays or becomes liable to pay remuneration has an obligation to deduct or withhold employees' tax (PAYE) from the remuneration and pay the tax deducted to the South African Revenue Services (SARS) on a monthly basis. An employer must apply for registration using Form EMP101e within 21 business days after becoming an employer unless none of their employees are liable for normal tax.

Registration for Skill Development Levy (SDL)

Where an employer is liable to pay SDL, the employer must register with SARS using Form EMP101e and must indicate the jurisdiction of the Sector Education and Training Authority within which the employer must be classified. An employer is only not required to register as an employer for SDL purposes if there are, during any month, reasonable grounds for believing that the total leviable amount paid or payable by that employer to all its employees during the following 12-month period will not exceed ZAR500,000, even though such employer is liable to register with SARS for employees' tax purposes.

Registration for Unemployed Insurance Fund (UIF)

Where the employer is liable to pay the UIF contribution, the employer must register with SARS or the Department of Labour (whichever is applicable to such employer) using Form UI-8 for the payment of the contributions. The governing authority is the Department of Labour. The governing legislature is the Compensation for Occupational Injuries and Diseases Act (COIDA), No. 130 of 1993 (amended 61/1997). An employer who is not required to register with SARS for employees' tax, and an employer who is not liable for the payment of SDLs in terms of the SDL Act, 1999, must register at the UI Commissioner's office for the purposes of paying the UI contribution.

Registration of an employer with the Compensation Fund

Any person, including the state, must register with the Compensation Fund using COIDA Form W.As.2 within seven days after employment of the first employee. The governing legislation is the Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993 (amended 61/1997) and is governed by the Department of Labour (Compensation Commissioner).

Ongoing compliance requirements

The governing legislature is the Income Tax Act, No. 58 of 1962 (as amended), Skills Development Levies Act No. 9 of 1999, and Unemployment Insurance Act No. 4 of 2002. The governing authority is SARS.

EY contacts

Khatija Khan

T: +27 31 57 6 8067

E: khatija.khan@za.ey.com

Dette Leonard

T: +27 31 576 8147

E: dette.leonard@za.ey.com

Return of payroll taxes (PAYE, UIF and SDL)

The return (Form EMP201) must be submitted monthly and payment of taxes must be made to SARS within seven days after the end of the month in respect of which the taxes are payable, reflecting the amount of the payment. It can be submitted online via e-filing. No cash payments are accepted.

PAYE

PAYE is calculated monthly on the "balance of remuneration" and deducted in accordance with the prescribed tax tables issued by SARS or in accordance with a tax directive issued by SARS. 25% PAYE deduction is applicable to remuneration paid to part-time or temporary employees. The remuneration paid to "true" independent contractors and to labor brokers with IRP30 certificates is exempt.

SDL contributions

SDL is an employer-only contribution and is calculated monthly at 1% of the leviable amount. The leviable amount is based on the "balance of remuneration" for employees' tax purposes. The remuneration paid to learners, "true" independent contractors and to labor brokers with an IRP30 certificate is exempt.

UIF contributions

The employer and employee both contribute 1% based on the gross remuneration up to a monthly limit (ZAR17,712 per month and ZAR212,544 per annum). The payments made to government employees, independent contractors, legal entities, labor brokers and temporary employees (employed for less than 24 hours per month) are excluded.

Biannual reconciliation

The declaration and reconciliation (Form EMP501) must be submitted by the end of October each year for the period March to August (six months).

Tax year end reconciliation

The declaration and reconciliation (Form EMP501) must be submitted by the end of May each year for the period March to February (annually).

Form UI19: declaration

The declaration must be submitted monthly to the Department of Labour within seven days after the end of the month. The governing authority is the Department of Labour.

Annual return of earnings

Employers must file the annual return of earnings (online) on or before 30 April each year. Form WAs.8 is used for

the annual return of earnings for employers not engaged in agriculture, while Form WAs.17 is used for employers engaged in agriculture.

Remuneration for annual return of earnings

The employer is required to furnish the amount of earnings paid to its employees for the period from the first day of March of the preceding year up to the last day of February of the current year. The maximum amount of earnings on which the assessment of an employer is calculated is currently R568 959 per annum, effective 1 March 2023.

Regular overtime, bonuses, commission earnings, cash value of food, travel, allowance and all components of the package (excluding company contributions) are included in the calculation. The payments excluded are irregular overtime, reimbursed payments, ex gratia payments and intangible fringe benefits. Exclusions include military service South African Police Department employees, SA defense force employees, domestic workers and persons contracted to carry out work. The commissioner assesses the employer taking into account the industry in which they operate and the remuneration paid to their employees. The assessment amount must be paid within 30 days after the date of assessment. The governing authority is the Department of Labour (Compensation Commissioner). The governing legislation is the Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993 (amended 61/1997).

Form EEA1: Declaration by Employee; Form EEA2: Employer Details and Workforce Movement; Form EEA4: Workforce Profile**Employment Equity Reports**

The designated employers include employers who employ 50 or more employees; employers who employ fewer than 50 employees but whose total remuneration turnover equals or exceeds the applicable turnover of a small business; employers appointed by a collective agreement in terms of the Labour Relations Act, a Municipality and organs of state except for local spheres of government; the National Defence Force, the National Intelligence Agency, the South African Secret Service and the National Academy of Intelligence. Foreign national employees are not included as designated employees and will therefore not be assisted by affirmative action programs. Employers who have become newly designated on or after the first working day of April, but before the first working day of October, must only submit their first report on the first working day of October in the following year. The governing legislation is the Employment Equity Act, No. 55 of 1998.

All designated employers must report annually, irrespective of their size. Manual reports must be submitted once every year on the first working day of October, or other date as prescribed. In the case of electronic reporting, the report can be submitted by 15 January of the following year.

2. Pension requirements

Registration requirements

The governing authority is the Registrar of Pension Funds. The governing legislature is the Pension Fund Act, No. 24 of 1956 (as amended).

Retirement funds: pension, provident and retirement annuity funds

In South Africa, over 60% of retirement funds are privately administered and funded. South Africa has no compulsory or national pension fund scheme. The Government, through its taxpayers, funds a social security old age grant to senior citizens. The Government does, however, provide retirement schemes for its employees, through the Government Pension Fund (GPF), the Public Investment Commissioner (PIC) and various public enterprise pension funds.

Every pension fund must apply to the registrar for registration under the Act. Types of retirement funds in South Africa include defined contribution funds, defined benefit funds and hybrid funds. Hybrid funds are pension or provident funds that combine a defined contribution and defined benefit component. This can be verified by consulting the rules of the retirement fund, and the fund administrator or trustees.

Ongoing compliance requirements

The governing authority is the Registrar of Pension Funds. The governing legislature is the Pension Fund Act, No. 24 of 1956 (as amended).

Filing obligations

The retirement fund contributions schedule reflecting the member and the employer contribution is submitted to the fund each month.

Contribution rates

Contributions are calculated in accordance with the rules of the fund for the employer and the employee, and the base on which the contribution is calculated is defined in the fund rules.



Payment obligations

Any pension fund contribution payable in respect of any member to the fund must be paid directly to the fund by or on behalf of the member within a period of seven days after the expiration of the period in respect of which the contribution is being paid, and the board must, not later than the first business day following the day on which the fund received the contribution, deposit the contribution in the name of the fund with an institution registered under the Banks Act, 1965 (Act No. 23 of 1965), or the Building Societies Act, 1965 (Act No. 24 of 1965).

3. Employment obligations

The governing authority is the Department of Labour. The governing legislature is the Basic Conditions of Employment Act, No. 75 of 1997 (as amended).

Annual vacation leave days

The minimum consecutive annual leave is 21 days. The employer can provide in excess of this at their discretion and detail this in their HR leave policy.

Sick leave, family responsibility leave and maternity leave

For sick leave, the employee is entitled to for every 26 days worked and 30 days per cycle for every three-year cycle. For family responsibility leave, three days are given to the employee under this leave per annum. For maternity leave, the employee is given four months of leave with no pay; however, the company can pay the employee at its discretion.

Basic conditions of employment: parental leave

With effect from 1 January 2020, all parents including father, adopting parents, and surrogates, are now entitled to 10 days unpaid parental leave (paternity) when their children are born.

Minimum wages

The minimum wages are determined at national, regional, sectoral, and occupational or skill levels. They are calculated on a daily, hourly, weekly and monthly basis.



Rest hours – daily and weekly rest period

A daily rest period of 12 consecutive hours and a weekly rest period of 36 consecutive hours are provided to the employee, which must include a Sunday. These rest periods may vary by written agreement under certain circumstances.

4. Payroll requirements

The governing authority is the Department of Labour. The governing legislature is the Basic Conditions of Employment Act, No. 75 of 1997 (as amended).

Pay slips (BCEA4)

Information on the pay slip must include the employer's name and address, the employee's name and occupation, the period of payment, remuneration in money, any deduction made from the remuneration, and the actual amount paid. The pay slip must be given to the employee at the workplace or at a place agreed by the employee, and during the employee's ordinary working hours, or within 15 minutes of the commencement or conclusion of those hours. The pay slip can be given to the employee in an electronic format (emailed) or hardcopy (paper pay slip). The full value of remuneration, including payment in kind must be specified.

The employer must pay remuneration to employees not later than seven days after the completion of the period for which the remuneration is payable, or the termination of the contract of employment.

Certificate of Service (BCEA5)

On termination of employment, the employee is entitled to a certificate of service reflecting their full name, the name and address of their employer, a description of any council or sectoral employment standard by which the employer's business is covered, the date of commencement and date of termination of employment, the job title or a brief description of the work for which the employee was employed at date of termination, the remuneration at the date of termination, and if the employee so requests, the reason for termination.

5. Banking requirements related to payroll

Payroll payments can be paid by cash, check or electronic funds transfer (EFT or bank transfer).

When paying in cash, the employer and employee should sign a record to confirm the amount of money that has been paid in each pay period. Net salaries may be split and paid into multiple bank accounts.

Foreign exchange control

The client will obtain relevant approvals for foreign exchange control regulations if payments are required from South Africa to other countries.



EY contacts

Fernando Gomez Garcia
T: +34 659 307 726
E: fernando.gomezgarcia@es.ey.com

Rosalía Calviño Campelo
T: +34 682 356 193
E: rosalia.calvinocampelo@es.ey.com

Jose Luis Pérez Vado
T: +34 682 142 316
E: jose.luis.perez.vado@es.ey.com

1. Government requirements

Registration requirements

Tax registration

All companies that plan to engage in business or professional activities in Spain are obligated to be registered before the Spanish Tax Agency before they begin to supply their services. Companies should be enrolled in the Census of Businessmen Professionals and Withholders (036 tax form), and obtain the company tax ID number to be used in interactions of a tax nature or relevant to taxation.

Companies' tax ID Number (constituted by nine characters) must be characterized by the following composition:

- ▶ One letter (which will provide information on the legal statutory form of a Spanish organization or the nature of a foreign organization or permanent establishment of nonresident organizations)
- ▶ Seven-digit number
- ▶ Control character

The Tax ID number of individuals with Spanish nationality will be their Spanish national ID. For those that are not Spanish nationals, they should apply for a foreign identification number (Número de Identificación de Extranjeros (NIE)).

Social security registration

As a general rule, all companies and their employees who perform their activities in Spain are required to be registered before, and pay contributions to, the Spanish Social Security system as soon as the employment relationship starts. Payment of social security contributions continues for the whole time that the employee is rendering his or her professional services. This obligation will stop when the employment ends.

Registration before the Social Security implies the previous registration with Spanish Tax Authorities as described above. Through this registration, the company will obtain the Contribution Account Code (CCC) which is necessary to register the employees before the Social Security Authorities.

Recently, authorities are requesting companies that want to be registered before the Spanish Social Security System as an employer to complete the process electronically through the Social Security e-Office. During this process companies shall use the company's digital certificate, which must be issued by an authorized organization accepted by Social Security. The most common certificate is the digital certificate issued by the "National Coinage and Stamp Factory - Royal Mint (FNMT-RCM)".

Ongoing compliance requirements

Tax obligations

Companies whose volume of operations is over EUR6,010,121.04 in the previous financial year will be considered as a large company and taxes will be paid on a monthly basis within the first 20 days of the following month.

On the other hand, companies with less volume of operations than the indicated will pay taxes on a quarterly basis within the first 20 days of April, July, October and January of the following year for the withholding taxes for the previous quarter.

In case of late submission of the tax returns, penalties will be imposed depending on the delay of the submission or payment.

Companies should open a Spanish bank account from a list of banks which are allowed to cooperate with tax authorities to pay taxes and social security contributions in Spain. Taxes could be paid by direct debit (the authorities directly charge the withholding taxes to the company's bank account) or with the Número de Referencia Completo (NRC - Complete Reference Number) generated by the bank as a receipt to identify the tax payment.

Tax filling

Companies acting as withholding tax agents are required to submit the 111 Tax Form (withholdings and payment on account for work and economic activities incomes) electronically and pay on a monthly or quarterly basis. In this tax form, companies must include all the incomes paid and withheld in the payroll for the Spanish tax resident employees. Supplier invoices relative to professional services provided to the company have to be included too.

Additionally, companies are required to submit electronically and pay the 216 Tax Form "Nonresident Income Tax" to inform the authorities about the incomes and withholding for nonresident employees in Spain.

Every year, companies are required to submit electronically the annual year-end Tax Forms 190 for Spanish tax resident employees and Tax Form 296 for nonresident employees. These tax forms are merely informative, in which the incomes and withheld amounts per employee are notified to the authorities. The deadline to submit both tax forms are on 31 January of the following year.

Tax rate

For individuals who are considered as Spanish tax resident, Personal Income Tax (PIT) is a progressive tax based on the incomes received during the fiscal year and their tax personal situation. The rate to be applied would be the result from adding the general applicable rate established by the State and the applicable rate approved by the relevant autonomous community where the employee resides. The maximum rate is 47%. There are special rules for employees resident in the Basque Country and Navarra.

Resident employees are eligible for certain tax exemptions with certain limits, each of them established in the legislation such as:

- a. Medical insurance
- b. Ticket Restaurant
- c. Pension Plan

- c. Transportation Ticket
- d. Nursery Ticket
- e. Severance payment

It should be noted that for Foral regime of the Basque Country and Navarra contemplates different peculiarities regarding the aforementioned exemptions.

As a general rule, for individuals who are considered as Spanish nonresident (special regime), the tax rate to be applied is 24% on incomes obtained in Spanish territory. For individuals without the special regimen, who are tax resident in other EU member states or European Economic Area (EEA), the tax rate is 19%. In case the total incomes reach the amount of EUR600,000.00, the tax rate will be 47%.

Employees granted with the Special Tax Regime can not apply for different tax exemptions as they have more beneficial conditions.

2. Pension requirements

Registration requirements

This is not applicable, only social security (see above) is required.

In Spain, there are various contribution schemes subject to the Spanish Social Security system (such as general, artist, agricultural workers, self-employed workers, domestic and personnel); the most important and common one is the "general" system. Spanish General Social Security System is the scheme through which authorities guarantee to individuals a suitable protection for the contingencies and situations established by Spanish regulations, for their professional activities.

Nowadays, companies can request employees' affiliation number on their behalf.

Companies can voluntarily subscribe to a specific private pension plan scheme.

From a tax point of view, a major favorable personal income tax reduction is applied for pension plan since 2023:

- a. Limit of 1,500 euros to the general deduction for contributions to pension plans is increased by 8,500 euros per year, provided that the increase comes from company contributions or contributions by the employee to the same social welfare instrument for an amount equal to or less than the company contribution.

Ongoing compliance requirements

Social security contributions process

Social security contributions are paid on a monthly basis in the following month, and it is produced partly by the company and partly by the employee according to the employee's professional and job category.

There are two methods to pay social security contributions. Contributions could be paid by direct debit where the payment is charged in the company's bank account on the last working day of each month. Otherwise, companies could use electronic payment and pay the contributions with the contribution payment receipt before the last working day of each month using various payment methods (such as cashpoints, telephone banking or Internet banking).

For each professional category, there is a maximum and minimum social security contributions base, which is generally reviewed on a yearly basis. For the employees whose total income exceeds the maximum base, or does not reach the minimum base, they must pay contributions according to those maximum and minimum bases. In 2024, the maximum social security base is EUR4,720.50 and minimum base is EUR1,260.

Social security contributions process is managed through an official tool provided by the authorities called SILTRA. Once this process is completed, the authorities provide the Contribution Payment Receipt, recibo de liquidación de cotizaciones (RLC) and the Worker Payroll List, relación nominal de trabajadores (RNT).

In case of late submission and nonpayment, penalties will be imposed depending of the delay of the payment.

Social security rates

Rates applicable for the social security contributions are as follows (based on the rates applicable for an employee with a permanent contract):

	Company	Employee
Common contingences	23.60%	4.70%
Unemployment	5.50%	1.55%
Fondo de garantía salarial (FOGASA)	0.20%	–
Professional training	0.60%	0.10%
CNAE (Occupational accidents and diseases)	*	
MEI (INTERGENERATIONAL EQUITY MECHANISM)	0.58%	0.12%
Total	30.48%	6.47%

* Código nacional de actividades económicas (CNAE) rate depends on the activity performed by the company.

These percentages will be reviewed by the authorities on an annual basis.

Credited retribution items

Companies should submit the Credited Retribution Items (CRA) file before the last day of the following month. CRA file is a breakdown of the remuneration paid to the employees regardless of their inclusion into the contributions base to Social Security.

Social security notifications

Sede electrónica de la Seguridad Social (SEDESS) is a compulsory social security online notifications service. It enables management to receive notifications between the Social Security Organization and bodies, companies and citizens.

Private pension plan scheme

Companies with a private pension plan scheme should submit the annual 345 Tax Form before 31 January of the following year.

3. Employment obligations

General employer obligations

Collective bargaining agreement

According to the Spanish regulation, a collective bargaining agreement (CBA) rules the employment conditions and other aspects of the relationship between the employees and the employers.

Employers should apply the most adequate CBA to the main activity.

Each CBA can apply more beneficial conditions to employees than the general rules established by the Spanish Workers' Statute Law.

Employment contracts

According to the Spanish Workers' Statute Law, employment contracts may be formalized orally or in writing, provided that express exceptions should always be put in writing (for example, temporary contracts, part-time contracts and training contracts). For these exceptions, if the contract subscribed has not been put in writing, it will be considered as a permanent and full-time contract.

Employment contracts must be notified to the Spanish Public Employment Service (SEPE) within 10 days following the contract start date.

In case the company has a legal representative of the workforce, companies shall provide him or her with a basic copy of all the employment contracts that should be put in writing (excluding any senior management contracts).

According to the Spanish Workers Statute and the recent legislation updates established by Royal Decree-Law 32/2021 of 28 December (coming into force by 31 March 2022), the types of employment contracts are:

- a. Permanent employment contracts
- b. Fix-term employment contracts:
 - ▶ Temporary contracts due to production circumstances (foreseeable or unforeseeable production circumstances)
 - ▶ Substitution contract
 - ▶ As since October 2023, any type of student doing an internship in a company, whether paid or unpaid, must be registered before social security.
 - ▶ Permanent discontinuous contract

Minimum salary

The minimum interprofessional wage for 2023 is as follows:

- ▶ Minimum daily wage for 2023: EUR42.00
- ▶ Minimum monthly wage at 14 payments: EUR1080.00
- ▶ Minimum annual wage for 2023: EUR15120.00

The applicable CBA can establish other higher minimum wage for the employees based on the professional category and professional group.

The minimum salary for 2024 has not yet been publicized (as of the publication of this guide).

Annual leave

Annual leave is a right foreseen in by the Workers' Statute. According to such law, the period of paid leave, which cannot be replaced by an economic compensation, shall be the one agreed in the collective agreement or in the individual contract. It can never be lower than 30 calendar days.

The CBA applicable to the company can establish an annual leave period which is more beneficial for the employees.

Working time

Employees can incur in a total of 40 hours per week (on an annual average). The working day must not exceed nine hours, which must include a rest period of at least 15 minutes when employees work for six hours at a stretch.

Resting period: At least 12 hours must elapse between the end of a working day and the beginning of the next one.

Night shift: It is established to be a night shift when employees render services between 10:00 p.m. and 6:00 a.m.

Overtime

According to the CBA or, in its absence, to the individual contract, overtime may be paid in an economic amount or with resting time.

Number of overtime hours cannot exceed 80 hours per year.

Temporary disability benefits

This subsidy starts from the fourth day of the leave for common diseases or non work-related injuries, if the requirements established by the regulations are fulfilled; and from the day following the date of leave for work-related injuries or occupational diseases. As a general rule, the duration of this subsidy will be 365 days, and could then be extended for a further 180 days if special conditions are fulfilled.

In general, payment will be made by the company on behalf of Social Security as a delegated payment with the same periodicity as salaries.

Major novelty introduced by 2023 new legislation consists in suppression of mandatory delivery of temporary disability or sickness report by the employee to the company as social security now is sending through FIE file sickness updates directly to company or vendors collaborating directly in social security tasks with company.

Since June 2023, three new types of special temporary disability have been implemented:

- a. Incapacitating period leave
- b. Abortion (voluntary or involuntary interruption of pregnancy)
- c. Temporary disability from the 39th week of pregnancy.

Sick leave generally in social security works as follows below:

- ▶ The first three days of the sickness leave the employee does not receive any benefit, i.e., employee does not receive any salary for those days.
- ▶ From the fourth to the 20th day employee receive 60% of employee social security base corresponding to the month prior to the occurrence of this situation.
 - ▶ Since the 17th until 20th is paid by social security employee receive 60% of employee social security base corresponding to the month prior to the occurrence of this situation.
- ▶ From the 21st day onwards the employee receives 75% of his social security base corresponding to the month prior to the occurrence of this situation.

Many companies choose, as an internal policy or because it is indicated in the collective bargaining agreement, to supplement employees' salaries by 100% or in some other way.

Maternity or paternity Leave

Paid maternity and paternity leave will have a duration of 16 weeks with the first six weeks compulsorily to be enjoyed immediately after childbirth.

The subsidy is paid by the National Social Security Institute (INSS).

Since 2023, there is a new leave of absence based on eight extra weeks in addition to the legal time for the birth of the child, which could be taken by both parents until the child reaches the age of eight.

Termination of the employment contract

Under the Spanish Labor law, the employment relationships may be terminated by:

- ▶ Mutual agreement between the parties
- ▶ Voluntary termination of the employee
- ▶ Expiration of a fix-term contract
- ▶ Death, severe disability or permanent total or absolute disability
- ▶ Employee's retirement
- ▶ Objective dismissal (can be individual or collective dismissal)
- ▶ Disciplinary dismissal

The employee is entitled to a severance due to the termination of an employment contract in case of:

- ▶ Fix-term contracts for a project or services or termination of fix-term contracts due to production circumstances: Employee is entitled to receive a severance consisting on 12 days of salary per year of service.
- ▶ Objective dismissal: The employee is entitled to receive a severance of 20 days of salary per year of service, with a maximum of 12 months of salary.

In case of individual dismissals, if the grounds included do not correspond to reality, the dismissal may be considered as an unfair dismissal. The severance payment compensation will be equal to 33 or 45 days of salary per year of service with a maximum of 24 or 42 months of salary.

4. Payroll requirement

Payment frequency

Employees must receive their salaries recurrently on a monthly basis. As a general rule, employees shall receive their remuneration between the 25th of each month and the 5th of the following month.

Depending of the CBA applicable, the employees are entitled to receive their gross annual salary in 12 annual payments, or in 14 payments (12 regular months plus summer and Christmas extra payments). Depending on the CBA, a different number of extra payments can be established.

Pay slip

Companies are required to prepare the employee's pay slip on a monthly basis.

Pay slip must be produced according to the official format and should contain:

- a. Employer data (Tax ID Number, company name, company address, Contribution Account Code)
- b. Employee personal information (name, tax ID, address, social security number, job position)
- c. The remuneration payable (description, number of payment days, total amount to be paid)
- d. Deduction elements (withholding taxes, social security and others)
- e. Net payment and employer social security contributions information

Companies are required to distribute the pay slip to employees. Electronic distribution method is preferred.

Personal tax information

Employees are required to provide the employer with the related 145 Tax Form to notify the PIT required for tax rate calculation purposes.

Generally, this tax form is provided once the employee is hired by the company.

However, the employee is bound to provide the tax form in case of any change of data previously notified.

An important point to be noted is that companies should keep a copy of the tax form available in case the Tax Agency requires it.

PIT certificate

On a yearly basis, companies must issue the income tax certificate which reflects the total income perceived by the employee and the withholding taxes applied on payroll during the fiscal year.

The employees must be provided with this certificate signed and with the company's stamp before the personal income tax submission starts, usually on 1 April of the following year.

5. Banking requirements related to payroll

As a general rule, companies employ an electronic transfer file using the Single Euro Payment Area (SEPA) protocol.

Payments must be done in Euros.

Sri Lanka

S



1. Government requirements

Registration requirements

Employment taxes - Advance Personal Income Tax (APIT)

The Government of Sri Lanka introduced the Advance Personal Income Tax (APIT) deduction, replacing Pay-As-You-Earn (PAYE) with effect from 1 January 2020 for tax deductions on employment income through the amended Inland Revenue Act No. 10 of 2021. However, these Advance Personal Income Tax regulations underwent changes with the enactment of the Inland Revenue Amended Act No. 45 of 2022. Accordingly, all employees are subject to mandatory deductions of APIT if the monthly remuneration exceeds LKR100,000 with effect from 1 January 2023.

The computation method for various categories of employees and the corresponding tax rates for each income slab are explicitly outlined by the Commissioner General of the Inland Revenue Department. These details can be referenced in the APIT table, accessible through the Sri Lanka Inland Revenue Department's e-service portal.

Table 1: Monthly tax deductions from regular profits from employment

Table 2: Rates for the deduction of tax from lump-sum-payments

Table 3: Rates for the deduction of tax from once-and-for-all payment (terminal benefits - all employees)

Table 4: Rates for the deduction of tax from any profits form employment made to nonresident employees who are non-citizens in Sri Lanka

Table 5: Deduction of tax on cumulative gains and profit from employment

Table 6: Tax-on-tax rates (tax rates applicable when the APIT is borne by the employer)

Table 7: Rates for the deduction of tax from the secondary employment

The above tax deduction tables are prepared based on the income tax rates applicable to individuals as follows:

Taxable income (annually)	Tax rate
Tax-free allowance up LKR1,200,000	Nil
Next LKR500,000	6%
Next LKR500,000	12%
Next LKR500,000	18%
Next LKR500,000	24%
Next LKR500,000	30%
On balance	36%

Registration requirements

The following documents should be submitted to the relevant branch of the Department of Inland Revenue for APIT Registration:

- ▶ Copy of Taxpayer Identification Number (TIN) Certificate
- ▶ Duly completed application form for tax type registration (Tax type-APIT)

Ongoing compliance requirements

- ▶ Remit the monthly tax deduction as per the relevant APIT tax tables to the Commissioner General, no later than the 15th day of the month immediately following.

EY contact

Praveen Ruberu
 T: +94 115578736
 E: praveen.ruberu@lk.ey.com

- ▶ Issue certificate of tax deduction (T10) to all employees annually by 30 April.
- ▶ Furnish Annual Declaration to the Commissioner General no later than 30 April every year.
- ▶ Keep in safe custody the documents relating to every payment made to employees. Whenever officers authorized by the Commissioner General call for inspection, such documents should be made available to them.

2. Pension requirements

Registration requirements

Registration for Employees Provident Fund (EPF) and Employees Trust Fund (ETF)

Organizations must register with the Department of Labor to obtain the registration number. The funds are government-owned and maintained by the Central Bank. Organizations should complete "Form-D" in duplicate with the business registration certificate within 14 days of recruitment of the first employee for EPF registration. Registration for ETF can be applied once the organization receives the EPF registration number.

Gratuity

The Payment of Gratuity Act No. 12 of 1983 provides for the payment of gratuity by employers to their employees.

The gratuity will be calculated based on the last month's wage drawn by that employee.

The Amendment Act No. 41 of 1990 has provided for the payment of gratuity to employees of public corporations and government owned business undertakings if they are converted into public companies.

If the employee has completed five years or more of service prior to termination, the employer must pay that employee within a period of 30 days, half a month's wages, or salary for each year of completed service.

Payment of surcharge on gratuity arrears:

Gratuity payment should be made on or before the 30th day from the date of termination of the services of the employee.

Any employer who fails or defaults in paying the gratuity on or before the due date to an employee or his or her heirs as applicable, must pay, in addition to the sum due as gratuity, a surcharge on that sum calculated in the following manner.

Payment of surcharge on gratuity arrears:

- a. Not exceeding one month from due date: Surcharge 10%
- b. Exceeding one month but not exceeding three months from due date: Surcharge 15%

- c. Exceeding three months but not exceeding six months from due date: Surcharge 20%
- d. Exceeding six months but not exceeding 12 months from due date: Surcharge 25%
- e. Exceeding 12 months from due date: Surcharge 30%

Pension scheme

There is no pension scheme for private sector employees in Sri Lanka.

Ongoing compliance requirements

Employees Provident Fund (EPF)

Calculation of the contributions are as follows:

- ▶ Employee's contribution: 8% of the total monthly earnings (to be deducted from the employee's salary/wage)
- ▶ Employer's contribution: 12% of the total monthly income of the employee (to be paid totally by the employer)
- ▶ Total contribution per employee will be 20% of the employee's total monthly earnings. Payments should be made before the last working day of the month, immediately following the month for which the salary should be made.

Payment of contributions

a. Manual payments

Organizations should obtain three copies of "Form-C" (issued free) from the nearest labor office or download from the EPF website and complete in triplicate.

The original and a copy of "Form-C" should be submitted to the collection counter of the EPF on the ground floor of the Lloydz Building in Fort with a check written in favor of the "The Superintendent, EPF." A receipt should be obtained and kept for future reference.

b. Online payments

Organizations can register with the respective banks where online EPF payment facility is available, and make the monthly contributions online.

EPF e-Return system

According to the EPF (amendment) Act No. 2 of 2012 and regulations gazetted in May 2013, all employers with more than 50 employees are required to submit their employees' EPF contributions and member details on a monthly basis in an electronic return system.

The EPF has introduced the EPF e-Return system, a completely paperless solution, for employers to submit their EPF returns. Under this scheme, employers are required to submit two simple text files every month in the specified format. No further forms are required to be submitted for EPF returns once an employer has joined this scheme.

Every employer with access to computer facilities can create their EPF returns using a specified format. Employers are free to use any computer system or any tool to create these files. EPF provides only the guidelines.

Employees Trust Fund (ETF)

- ▶ Employer's contribution: 3% of the total monthly earnings (not to be deducted from the employee's monthly salary/wages).

Employers are divided into two categories

- ▶ Larger category: Employers with 15 or more employees
- ▶ Smaller category: Employers with less than 15 employees

Employers with more than 15 employees must use the R1 Remittance Form and employers with less than 15 employees may use the R4 Remittance Form when they make monthly contributions.

Monthly contributions should reach ETF Board on or before the last working day of the following month. Employers who are liable to contribute to the ETF under remittance Form R1 are required to furnish half-yearly return incorporating details of contributions made on behalf of its employees in respect of each month in the following manner.

- ▶ First half year return (January to June) should be submitted on or before 31 August of the same year.
- ▶ Second half year return (July to December) should be submitted on or before 28 February of the following year.

3. Employment obligations

Minimum wage

The obligation to remit minimum monthly or daily wages for employees in the private sector of any industry or service within Sri Lanka was legislatively mandated through the enactment of the National Minimum Wages of Workers Act No. 03 of 2016. With the implementation of this legislation, all employers were required to ensure a minimum monthly wage of LKR10,000 or a minimum daily wage of LKR400 for their employees.

Subsequently, with the passage of the National Minimum Wage of Workers (Amendment) Act No. 16 of 2021, the stipulated national minimum monthly wage for employees was elevated to LKR12,500, and the national minimum daily wage increased to LKR500. This amendment came into effect on 16 August 2021.

Budgetary Relief Allowance (BRA)

BRA 1: In accordance with the provisions outlined in the Budgetary Relief Allowance Act No. 36 of 2005, employees earning a monthly salary below LKR20,000 are entitled to receive a budgetary relief allowance of LKR1,000.

BRA 2: BRA should be paid to employees as per the Budgetary Relief Allowance of Workers Act No.4 of 2016. As per this Act which was enacted only on 23 March 2016,

any person who was employed as of 30 May 2015 and drawing a salary of LKR40,000 per month or below is entitled to receive an increment of LKR1,500 per month from May 2015 and a further increment of LKR1,000 per month from January 2016.

Annual leave

An employee is entitled to take annual leave when the next calendar year starts. The duration of that first annual leave period is determined according to the date/month on which the employment commenced. From the second year onward, an employee is entitled to 14 days of paid annual leave, after completion of 12 months of continuous service.

Weekly rest days

Employees are entitled to at least one and a half days of rest per week at the employee's full rate of remuneration. However, the entitlement of full remuneration is not applicable to employees who have worked for less than 28 hours, exclusive of overtime work.

Weekly rest day is not specified in the act. The rest day can be postponed and taken in five weekly blocks, provided that the Commissioner approves such postponement as necessary due to the nature of the business or unforeseen circumstances.

4. Payroll requirements

Payroll payments and pay slips

- ▶ Employees must be paid at least monthly.
- ▶ All employees must be provided pay slips. Pay slips can be provided either in electronic form or hard copy. The electronic form must have the same information as the hard copy.
- ▶ Salary and wage income is taxable in the financial year in which it is actually received, regardless of when it was earned.

5. Banking requirements related to payroll

Banking of salary and wages

Payroll payments can be paid by one or combination of:

- ▶ Cash
- ▶ Check, money order or postal order, payable to the employee
- ▶ Electronic funds transfer



1. Government requirements

Registration requirements

Company registration

Each (nonresident) company has to be registered with the Commercial Register of the Chamber of Commerce (“Kamer van Koophandel voor Koophandel en Fabrieken” or KKF, also known as “Burgelijke Stand van het bedrijfsleven”). Registration forms (in Dutch) can be found on the website <https://surinamechamber.com/handelsregister>.

Business license for specific businesses

For specific businesses that work with hazardous products or materials and where a special certificate of capabilities for employees is required, a business license may be required to conduct activities in Suriname. A license can be obtained upon request from the respective ministry by filing a request with the director of the Ministry of Economic Affairs. This necessity for a license depends on your specific line of business and activities.

Suriname territory

In principle, Suriname taxation is triggered by performing activities in Suriname. All activities in Suriname are subject to tax in Suriname. The levy territory of Suriname was significantly changed as per 1 February 2023. For most Suriname, the levy territory was defined to cover Suriname mainland, the territorial waters, the Exclusive Economic Zone (i.e., 200 nautical miles from the Suriname landline) and even the Continental Shelf.

Work permit

For a nonresident individual (non-Suriname national), the employer must apply for a work permit. The filing of the permit needs to be done prior to the commencement of work in Suriname. A work permit can be obtained upon request from the Ministry of Labour, Technological Development and Environment (ATM). A digital application form (in Dutch) can be found on the website <http://www.gov.sr/themas/werk-en-loopbaan/werkvergunning/>.

In general, the application will take up to at least 30 days. It is possible for the governmental institution to extend this period with another 30 days. Please note that the Ministry of ATM takes into consideration the availability of local Suriname individuals for the same role, the duration of the activities and whether the employee will permanently reside in Suriname.

Residency permit

A visa, residency permit or short stay permit is required prior to entering Suriname. For individuals from a country that Suriname has a special visa ruling with, they can obtain a residency permit when they are already present in Suriname.

Tax registration

a. Fiscal identification number (company)

For tax filing purposes, a fiscal identification number (FIN) should be obtained. FIN is used for the purposes of value-added tax, wage tax and social security reporting.

EY contacts

Kimberly Schreuders
T: +597 7100966
E: kimberly.schreuders@an.ey.com

Dionne Alexander
T: +597 8176070
E: dionne.alexander@an.ey.com

b. VAST (company)

For purposes of company income tax, wage tax and social security reporting, a VAST number is required as the identification number with the tax authorities.

c. VAST (employee)

An employee or individual has to be registered with the tax administration to obtain a VAST number for tax identification purposes.

Ongoing compliance requirements

First day of employment

On the first day of employment, the employer will hand an employee's declaration to the employee. This declaration must be completed, signed and returned to the employer before the first wage payment. The declaration will be kept with the payroll administration, up to and including five years after ending of the calendar year in which the employment of the employee has ended.

The employee's declaration contains the relevant tax information about the employee, salary, allowances and withholdings.

Monthly obligations

Wage tax and social premiums due are generally withheld on a monthly basis. The employer should keep a monthly wage overview for all of the employees. This wage sheet ("loonstaat" in Dutch) includes the relevant taxation elements per person and per payment period.

Furthermore, a wage tax and social premium return should be filed (currently, only available on paper) with the tax administration no later than the seventh working day after the end of each month. The wage tax and social premiums due should be paid to the tax collector no later than the seventh working day after the end of each month. In the event that the tax calculation amounts to zero, a wage tax and social premium return should also be filed no later than the seventh working day after the end of each month.

a. Wage tax

Wage tax is a pre-levy to income tax and employees are subject to the following wage tax progressive rates per January 2023.

In Suriname, the fiscal year is equal to the calendar year. For taxpaying residents, a tax-free sum of SRD90,000 is available per 1 January 2023. For nonresident taxpayers, no tax-free sum is available.

Regular wage:

More than:	And less than:	For each amount higher than column I:
SRD	SRD	%
0	SRD90,000	0%
SRD90,000	SRD101,356.80	8%
SRD101,356.80	SRD109,273.80	18%
SRD109,273.80	SRD120,193.80	28%
SRD120,193.80		38%

Lump-sum benefits not related to a certain period, consisting of several normal wage periods, upon request of the taxpayer, are taxed at the below rates:

More than:	And less than:	For each amount higher than column I:
SRD	SRD	%
0	SRD11,356.80	5.00%
SRD11,356.80	SRD19,273.80	15.00%
SRD19,273.80	SRD30,193.80	25.00%
SRD30,193.80		35.00%

Overtime, upon request of the taxpayer, is taxed at the below rates:

More than:	And less than:	For each amount higher than column I:
SRD	SRD	%
0	SRD500	5.00%
SRD500	SRD1,100	15.00%
SRD1,100		25.00%

b. Social security contributions

In principle, all resident individuals must pay social security contributions. For employees, this is withheld from the monthly salary payment and remitted to the tax authorities by the employer. The social security contributions provide benefits under the General Old Age Insurance (AOV) and the National Basic Health Care (Health Care). The employer is obliged to contribute part of the health care premiums due.

Additionally, a statutory ruling is applicable in case of an occupational accident. There is no withholding or premium payment required. However, in case of an accident, a payment should be made to the injured employee by the employer. A detailed description of each event, including a percentage of the compensation to be paid by the employer, is prescribed in the Accident Act (“Wet Ongevallenregeling” in Dutch).

The following are the individual social premium rates for the fiscal year 2022.

Premiums			
	Employer (SRD)	Employee (SRD)	Specifics
AOV		4%	5.00%
Health Care	SRD27.50	SRD27.50	Employee age: 0-16 years
	SRD37.50	SRD37.50	Employee age: 17-20 years
	SRD82.50	SRD82.50	Employee age: 21-59 years
	SRD120.00	SRD120.00	Employee age: 60 years and above

Annual obligations

a. Individual wage tax card

After each calendar year, the employer is required to prepare and submit a wage tax card (“loonbelastingkaart” in Dutch) for each employee to the tax authorities by no later than 31 January. The wage tax card includes a summary of relevant information, and the wage and social premiums withheld.

b. Summary wage sheet

After each calendar year, the employer is required to prepare and submit a summary wage sheet (“verzamelloonstaa” in Dutch) to the tax authorities by no later than 31 January. The summary wage sheet includes a summary of relevant information, and the wage and social premiums withheld and paid for each employee.

Administration

The payroll administration and all relevant information and documents should be kept on file for a period of 10 years.





2. Pension requirements

a. Collective pension insurance – AOV (old-age pension)

The AOV is a collective pension insurance (“Algemene Oudedagsvoorziening” in Dutch), based on the General Old Age Fund, which provides residents with a minimum basic pension at the age of retirement (currently 60).

The AOV is funded according to the pay-as-you-go system. This means that all insured persons up to the age of 60 years who have an income pay the premiums required to provide for the current AOV pension retirees. The total premium is 4% and paid by the employee. The premium is levied on the income, without any threshold or maximum contribution.

Insured persons for AOV are residents of Suriname with the Suriname nationality. In addition, any person that is considered a resident of Suriname and who has contributed to the General Old Age Fund for at least 10 years is considered an insured person as well.

The AOV pension is granted upon request with the General Old Age Fund that is part of the Department of Administrative Services.

b. General pension fund

In Suriname, employers are legally required to at least enroll their resident employees into the general pension fund (since 2014). A private pension scheme can be facilitated instead as well. The employer covers a minimum of 50% of the monthly pension premium payable. The employee covers a maximum of 50% of the monthly pension premium payable. For 2023, the total percentage of pension premium payable is 7% monthly, calculated over the basis (fixed wage elements). This 7% will increase with 0.5% each year, up to a maximum of 28%, with a minimum base of SRD500 and a maximum base of SRD5,000.

Upon reaching the pensionable age, all benefits and proceeds from a pension scheme are taxed as wages in the annual income tax return.

3. Employment obligations

The general provisions concerning Suriname Labour Law are stipulated in the Surinamese Civil Code. In addition, specific regulations of certain subjects, such as vacation and accident regulations, are stipulated in various acts and state decrees, such as Labour Act, Vacation Act, Minimum Hourly Wage Act and so on. The regulations are mainly mandatory provisions. Please reach out if you require additional information in this respect.

4. Payroll requirements

Employers must process salary payments in accordance with the conditions agreed in the employment contract and provide the employee with a payslip containing the details of the salary received and the applied withholding of taxes and premiums.

5. Banking requirements

Employers may make salary payments to an employee in cash, in kind, by check or by bank transfer. There are no restrictions applicable to salary payments made to and from abroad. If salary payments are made in kind, such as a company phone or lease car, deemed allowances may be taken into consideration as taxable wage instead of the actual costs for wage tax and premium purposes.

Switzerland

S



1. Government requirements

Registration requirements

Overview of the Swiss social insurance system

The Swiss social insurance system is based on a so called “Three-column Principle” and divided into the following areas:

- ▶ Old age, survivors’ and invalidity/disability insurance (AHV and IV)
- ▶ Occupational pension schemes/employee pension funds (BVG)
- ▶ Unemployment insurance and insolvency compensation (ALV)
- ▶ Family allowances (FAK)
- ▶ Protection against the consequences of illness and accidents (KVG and UVG)
- ▶ Income compensation allowances in case of military service and in case of maternity (EO and MSE)

The Three-column Principle

First column: The first column consists of mandatory old age, survivors’ and invalidity/disability insurance (Alters- und Hinterlassenenversicherung (AHV) and Invalidenversicherung (IV)). These insurances cover the basic subsistence needs of the insured persons in old age or in the event of disability. In case of death, the insurances pay benefits to survivors. AHV and IV are general schemes for anybody residing or working in Switzerland.

Second column: Industrial insurances (occupational pension schemes or employee pension funds) aim to maintain the recipients’ accustomed standard of living after retirement. The law - Berufliche Vorsorge (BVG) requires minimum contributions to the employer’s pension scheme to be withheld from income, up to a specific ceiling. In practice, many companies offer more comprehensive pension schemes since the mandatory minimum amounts may not suffice to achieve the target level of benefits.

Third column: To supplement the Government’s pension schemes, individual investment in private savings plans offered by banks or insurance companies is encouraged. Incentives include tax deductibility of contributions to so called qualified savings plans, i.e., where funds cannot be accessed freely (column 3a for employees, column 3b for self-employed persons).

The listed different types of insurance offer protection in the form of pensions, unemployment benefits and family allowances, as well as paying for costs incurred through illness and accidents. The benefits paid out by the different types of social security are in principle financed by contributions of employers and employees, and levied on employees’ income. In some cantons, there are additional contributions to pay (e.g., contributions to vocational education funds or various family funds). With the exception of the third column, all of these insurance types are compulsory.

Registration for old age, survivors’, disability and loss of income insurance (AHV, IV or EO)

The old age, survivors’ and invalidity insurance (AHV/IV i.e., “Alters-, Hinterlassenen- und Invaliden-versicherung”) is managed by cantonal, occupational and federal compensation funds, which collect contributions and pay benefits. There are about 100 such offices, which operate under the auspices of various professional associations, of the cantons and of the federal administration.

EY contacts

Virginie Casals

T: +41 58 286 3541

E: virginie.casals@ch.ey.com

Nana Kivinen

T: +41 58 286 3629

E: nana.kivinen@ch.ey.com

After a company's registration with the commercial registry, the respective cantonal compensation fund (kantonale Ausgleichskasse) will send the employer an application form for registration.

Employers are bound by law to deduct the employees' contributions from all salaries or salary-like benefits and pay these, along with the contributions they, as employers, have to pay, to the compensation fund office to which they are affiliated.

The total contributions to the AHV/IV/EO insurance are currently 10.60% of the applicable annual salary.

Employers and employees each pay half of the contribution, i.e., 5.30%. Employees who have reached the statutory retirement age (65 for men and 64 for women) and continue working need to pay contributions to the AHV/IV, but not to the unemployment insurance – ALV. However, CHF1,400 per month or CHF16,800 per year are exempted from AHV/IV contributions. The registration of new hires who do not have a Swiss social insurance number needs to be made within 30 days of their start date with the company. The forms are available at the respective cantonal compensation fund.

The registration of new employees who already have a Swiss social insurance number, and the de-registration of leavers, need to be submitted with the annual salary declaration or reporting (regulation as of 1 June 2016).

Income compensation (EO) is a compulsory Swiss social insurance paying compensation for loss of income to persons while serving in the army, civilian service or civil defense, as well during maternity. The total EO contribution of 0.5% is included in the total contribution for AHV/IV/EO.

The compensation funds also charge an administrative fee. The contribution rate varies from office to office and is fully borne by the employer.

Registration for the occupational pension scheme (BVG/Pensionskasse)

The Occupational Old Age, Survivors' and Disability Benefit Plan (second column) – together with the old age, survivors' and invalidity/disability insurance – should enable the retired person to maintain his or her previous lifestyle in an appropriate manner. Adherence to the scheme is compulsory and it is financed principally by 50% from both employees and employers, i.e., the sum of the contributions of the employer should be at least equal to the sum of the contributions by their employees. If a company does not have an own registered pension institution, it has to choose an existing pension fund with the consent of its staff. Some of the pension funds also provide benefits in case of invalidity and to survivors in case of premature

death. Under certain conditions, this second column can be used before retirement to partially finance a principal home or to start an independent activity. It is workplace-based and mandatory. Employers are obliged to insure their employees with a registered pension fund (Federal Act on Occupational Retirement, Survivors' and Disability Provision, BVG, Art. 11 para. 1).

Employees whose annual earnings exceed CHF22,050 with the same employer have to join this compulsory Swiss pension system under the Occupation Benefits Act (LPP). Employees on a temporary work contract of less than three months may be exempt from contribution. Persons of 18 to 24 years of age are solely insured for risk of death or invalidity/disability, but also for old age benefits in the case of individuals older than 24. Unemployed persons with a daily allowance of at least CHF84.70 are insured for the risks of death and disability.

The system stipulates a minimum level of benefits to be provided by all employers, but the mixture of compulsory or voluntary features of the system can be seen in the fact that many large employers offer benefits that go well beyond the prescribed minimum.

Depending on the age of the insured, the contribution rate varies between a minimum of 7% and a maximum of 18% of the employee's salary (Koordinierten Lohnes). The total contributions increase with the age of a person. The insurance scheme can be run by a company pension, state or private fund. Company pension plans can set terms and conditions in excess of these minimums, and most offer extra-mandatory benefits as a means of attracting and retaining qualified people in a firm.

Registration for unemployment insurance (ALV)

Unemployment insurance provides benefits in the case of loss of employment, shortened working hours, lack of employment due to weather conditions for certain sectors, e.g., construction, or insolvency on the part of the employer. This insurance also pays for re-integration measures.

All persons in gainful employment are obliged to contribute to the unemployment insurance scheme with the exception of some family members of persons working in the agricultural sector and persons who have reached the official retirement age.

Employers are bound by law to deduct the employees' contributions from all salaries or salary-like benefits, and pay these, along with the contributions they as employers have to pay, to the compensation office to which they are affiliated. The registration for unemployment insurance is included in the registration form for AHV/IV.

Up to a limit of currently CHF148,200, the contribution rate to the ALV is 2.2% of the applicable annual salary. Employees and employers have to each pay half of the contributions.

Registration for family allowances (birth or adoption of child or education allowance)

An employer must be affiliated to a family compensation fund in the canton of the place of business, branch offices or other workplace of the employees. This is an obligation whether the employed staff have children or not. There is a family compensation fund in each canton run by the cantonal compensation funds.

Occupational compensation funds may provide family compensation schemes for the employers affiliated to them, but they are not obliged to do so. The employers finance the family allowances by paying contributions to the family compensation fund on the basis of a percentage of the AHV compulsory wages they set up. The contribution rate varies according to the canton and family compensation fund. In the canton of Valais, for example, employees have to participate in the financing whereas in other cantons the family allowance is fully financed by the employers. The registration at the family compensation fund is part of the registration process for AHV/IV.

Employees can claim child and education allowances while resident in Switzerland even with children remaining outside of the country. Allowances are for children up to the age of 25 as long as they are still in education, which periodically needs to be proven by a confirmation of education.

Only one allowance is paid per child, even if both parents may be working.

Employees must apply for family allowances to their employers, who will forward the application to the relevant family allowance office for approval.

The application forms are available at the respective cantonal family compensation fund.

Nationals of an EU or European Free Trade Association (EFTA) country, whose children live in an EU or EFTA country, are entitled to full family allowances. The family allowances need to be paid out together with the monthly salary according to the instructions of the respective family allowance office.

Pursuant to the Federal Law on Family Allowances, the following minimum allowances shall be disbursed per child and month:

- ▶ A child allowance of at least CHF200 for children up to the age of 16
- ▶ An education allowance of at least CHF250 for 16-25 year-olds still in education

These provisions apply to all cantons.

Registration for occupational and non-occupational accident insurance (BU/NBU)

It is mandatory for an employer to insure his or her employees with the Swiss Accident Insurance Institution (SUVA) or another licensed insurer (private insurer, health insurance fund or public accident insurance fund) depending on the area of activity. The Federal Law on Accident Insurance lists the companies and administrations which are compulsorily insured by SUVA.

The accident insurance covers medical treatment, daily allowances and pensions. Insurance claims concerning accidents which occur abroad are also covered. All gainfully employed persons are compulsorily insured. The insurance covers accidents occurring in the workplace, diseases caused by working conditions and also non-occupational accidents of employees working at least eight hours per week. Depending on the type of business, accident insurance is handled by the Swiss Accident and Insurance Fund (SUVA) or other approved accident insurance providers.

In the event of an accident, employers are obliged to continue paying their employees at 80% of their salary for a certain period. This period is not clearly specified by law but on the basis of a legal precedent, the minimum duration is three weeks during the first year of service. The so called Bern, Basel and Zurich scales are used to determine all other durations (which must be specified in the employment rules and regulations for a company). The contribution rates depend on the economic sector and risk level of the company.

Health insurance (Krankenkasse)

Individual health insurance is compulsory in Switzerland but is a private matter, i.e., not mandatorily supported by an employer. On the contrary, paid health insurance to an employee would need to be considered and taxed as a benefit in kind.

Any person living and working in Switzerland, irrespective of age and state of health, must be insured for basic nursing care by a health insurance company within three months after his or her arrival in Switzerland. There is no national health service and individuals have to arrange insurance coverage for themselves (there is no duty for the employer to do this). Any health insurance company throughout Switzerland can be freely chosen.

Cross-border commuters domiciled in certain EU states have the option of requesting an exemption from this health insurance in their country of residence while they are insured in Switzerland.

In some cases, employees may be exempted from taking health insurance in Switzerland, for example:

- ▶ Employees being sent to Switzerland for a limited time by a foreign company (international assignments), and having an obligatory health insurance scheme in the home country which covers the same medical cost as the basic insurance scheme during the stay in Switzerland, are exempted from the insurance.
- ▶ Those who are living temporarily in Switzerland due to an exchange or other international program, (i.e., for students, interns and scientists). In those cases, an employer has to guarantee that all medical costs during the employee's stay in Switzerland are covered by a health insurance scheme in the home country and all expenses not covered by an insurance scheme will be covered by the employer.

Sickness daily allowance (KTG)

Under Swiss law, every employer is obliged to provide sick pay for a specific period of time which progressively increases in line with the number of years of service of an employee (Article 324a ss. Swiss Code of Obligations - OR). Usually, employers provide daily sickness allowance insurance for their employees covering 80% of salary during a period of up to a maximum of 730 days of illness per incident. It is not uncommon for an employer to agree to pay the remaining 20% of salary as a social benefit.

The duration and amount of this continued salary payment depends on the employee's number of service years, the geographical region of the workplace and the provisions in the employment contract. Employers can voluntarily exclude coverage for the financial consequences of this obligation in the form of a group daily sickness allowance policy. The employer has the possibility to insure the employee against loss of earnings in case of illness. The aim of the daily sickness allowance insurance is to cover loss of income resulting from incapacitation. The employee must inform the employer immediately in case of sickness. The respective insurance company usually pays the daily allowance directly to the employer who is then obliged to pass the allowance on to the employee.

Registration for Tax at Source (QST)

Foreign nationals (without a C-permit, i.e., a residence permit) who are permanently or temporarily resident in Switzerland and individuals (regardless of their nationality) with no tax domicile or tax residence in Switzerland have tax deducted directly from their income by their employers each month. The tax amount is calculated on the employee's gross salary.

The applicable tax at source tariffs are progressive (i.e., the higher the gross income, the higher the tax rate) and take into account whether the employee is married or single, living with children and their number, as well as subject or not to church tax. Employers have to register their employees with the respective cantonal tax at source office. The tax office in charge depends on the employee's canton of domicile and the forms vary from canton to canton.

Depending on the employee's status, different tax at source tariffs apply:

- ▶ Tariff A: Single persons without children or persons who need support, living in the same household
- ▶ Tariff B: Married couples with only one earner
- ▶ Tariff C: Married couples with two earners
- ▶ Tariff E: Assessment under the simplified assessment procedure
- ▶ Tariff F: Italian cross-border commuters
- ▶ Tariff H: Single persons with children or persons who need support, both living in the same household
- ▶ Tariff L - P: German cross-border commuters

Foreigners living in Switzerland with a residence permit (C-permit) have to declare their income and assets in a standard individual tax return but are not subject to tax at source.

Registration of employees working for an employer not liable for contributions in Switzerland (ANobAG)

Anyone resident in Switzerland and working for an employer not liable for contributions in Switzerland, mainly employers abroad, has to pay the fully due social security contributions as an Arbeitnehmer ohne beitragspflichtigen "Arbeitgeber" (ANobAG), meaning "employee, with an employer not liable for contributions".

AHV/IV, ALV, FAK and accident insurance are obligatory even if the employee has no employer based in the EU or EFTA. If the yearly salary paid by this employer exceeds CHF22,050 the employee is subject to occupational benefits insurance (BVG) as well. Registration needs to be done at the cantonal compensation fund either by the employee himself or by the employer.

Ongoing compliance requirements

Social insurance contributions (AHV/IV, ALV and FAK contribution)

It is the employer's obligation to remit the social insurance contributions (AHV/IV, ALV and FAK) periodically to the respective compensation fund. For an annual company's payroll sum of up to CHF200,000 (gross), the contributions need to be remitted on a quarterly basis. Above CHF200,000 (gross), the contributions need to be remitted monthly, at the latest by the 10th day of the following month (e.g., contributions for March need to be submitted at the latest on 10 April). The amount of contributions to be paid for the ongoing year will be determined by the respective social insurance office on the basis of the estimated annual gross salary sum. At year end, the employer has to report a detailed annual declaration to the compensation fund. The process and forms vary from office to office. Most of the compensation funds offer electronic filing ("Elektronisches Lohnmeldeverfahren" (ELM) in an XML-format) for the year-end declaration.

Social insurance audits at the employer's offices will take place occasionally, roughly every fifth year, and are usually initiated by compensation funds.

Occupational Pension Scheme – notification of salary changes and personal data changes

Any of the following personal data changes need to be reported immediately to the respective occupational pension fund:

- ▶ Salary changes
- ▶ Suspension or resumption of work
- ▶ Unpaid leave
- ▶ Termination
- ▶ Early retirement
- ▶ Announcement of death
- ▶ Incapacity to work

Family allowances

The children and education allowances paid to employees together with the monthly payroll will be refunded by the family compensation fund (FAK) on a monthly basis. In general, the credit balance will be offset against the monthly contributions for AHV/IV, ALV and FAK.

At the end of the year, the employer has to submit a detailed annual declaration to the family compensation fund, the compensation fund, or both, together with the annual declaration for the AHV/ALV/FAK contribution.

Income compensation in case of maternity (MSE) and military service (EO)

Income compensation is a compulsory Swiss social insurance paying compensation for loss of earnings to persons while serving in the army, civilian service or civil

defense, as well as to expectant mothers. All persons living and working in Switzerland mandatorily insured with the AHV may at the same time benefit from EO/MSE which is being financed through separate contributions.

Women who, prior to childbirth, have been insured with AHV for at least nine months, and have worked for at least five months of those (part- or full-time), are covered by the maternity insurance (MSE). The contributions made in an EU/EFTA country count as well. The compensation is paid as a daily allowance and depends on the income before the birth of the child. The amount of compensation is about 80% of the average income before maternity, capped at CHF196 per day. The application forms may vary from one compensation fund to another. Both the employee and the employer have to complete information on the application form to be submitted to the respective compensation fund.

An employee is entitled to loss of earnings (EO) during Swiss military service and equally treated J and S courses (Jugend and Sport or Youth and Sports), whether living in Switzerland or abroad. The rate of compensation depends on different factors: rank and type of military service, number of children on charge, average income before absence, etc. The amount of compensation is about 80% of the hitherto average income, at least CHF62 per day capped at a maximum of CHF196 per day. During this covered absence, an employee needs to complete an EO-form and hand it over to the employer for completion and submission to the respective compensation fund.

Employees still being paid as usual by their employer during the duration of maternity or military service are not entitled to this compensation which, in these cases, will be paid directly to the employer.

Accident insurance (NBU/BU)

For this insurance, the employer is obliged to remit the entire premium to the employees' accident insurer (NBU means non-occupational and BU means occupational accident insurance). The maximum amount of insured income is currently CHF148,200.

Premiums for occupational accident insurance (BU) are fully borne by the employer. The premiums for non-occupational accidents (NBU) are, as a matter of principle, borne by the employees. Agreements in favor of the employees can be and are regularly applied by an employer.

The cantons monitor compliance with employers' and employees' insurance obligations. Employers are obliged to provide the necessary information to the cantonal compensation fund. At the end of the year, the employer has to submit a detailed annual declaration to the chosen accident insurer.

Following an accident – regardless of whether it is occupational or non-occupational – employees have to notify their employer without delay. The employer in turn

needs to notify the insurance company immediately about the accident. The employee or the treating physician has to truthfully complete a form to be sent, without delay, to the company's accident insurance provider.

Tax at source declaration

A detailed statement of accounts shall be made on the cantonal form for the settlement of accounts concerning the deducted tax at source (QST). If there is no decision on the settlement period, the settlement of accounts shall be established on a monthly basis or, if fewer than 10 employees are subject to tax at source, on a quarterly basis. The frequency of filing and settling tax at source and the forms which need to be provided to the cantonal tax offices differ from canton to canton. Some cantons offer electronic filing (ELM). The settlement of accounts shall be submitted to the cantonal tax office within 15 days from the expiry of the settlement period. Employers can withhold a tax entitlement provision (Quellensteuerprovision) as remuneration for administrative work. The percentage of the provision varies from canton to canton.

The tax office in charge depends on the employee's canton of domicile. In some cantons, employers may be asked to provide additional reports and documents at the year end (e.g., a "liste récapitulative" and "attestation quittance" in

Geneva). More information is available from the tax office in the respective canton.

Annual salary certificates (Lohnausweis)

At year end, each employer is mandatorily obliged to issue salary certificates for all their employees employed during the past calendar year. This is to declare all benefits paid to active or inactive employees, or both, during the calendar year. This salary certificate is intended for the employee's individual annual tax return, as in Switzerland this is a private matter. Some cantons, at present Basel-Stadt, Basel-Land, Bern, Fribourg, Jura, Neuchâtel, Solothurn, Vaud and Valais, request to receive a copy of the employee's salary certificate and attachment (if any) directly from the employer for information reasons.

In addition to the salary certificate, there are reporting obligations for employees entitled to equity and similar awards (mainly as an attachment to the salary certificate). However, in any case, after the termination of employment, direct reporting is required for the purposes of income tax, withholding at source and social security, as well as for taxable benefits realized. Employers must report equity-based employee benefits at grant and, if taxable, at a later stage at realization or vesting of the taxable benefit. For example, in the case of options that are not quoted, reporting must occur at grant and at exercise.

Equity awards	Taxation point	When to declare in the salary certificate			
		Grant	Attachment	Exercise or payout	Attachment
Shares	At grant	x	x	Not applicable	Not applicable
Options	At grant	x	x	Not applicable	Not applicable
	At exercise	x	x	x	x
Restricted stock unit	Share delivery at vesting	x	x	x	x
Phantom shares	Realization or payout	x	x	x	x

2. Pension requirements

Pension is part of the Swiss social insurance system and therefore the same registration and compliance requirements mentioned in the government requirements section apply here.

3. Employment obligations

Work permit

Switzerland has a dual system for the admission of foreign workers. Gainfully employed nationals from the EU-27 or EFTA states can benefit from agreements on the free movement of persons. Only a limited number of management level employees, specialists and other qualified employees are admitted from all other countries.

A work permit is principally required before the commencement of work (although residents from EU-17 countries, i.e., the “older” EU member countries, do not require a work permit to commence work, just a residence permit). Different types of permit are available, including short and long stay, and each type offers a differing degree of freedom (e.g., B-permits allow the holder to change job and canton, whereas L-permits do not, and C-permits afford the same freedoms as Swiss citizens with regard to work-related matters). The Swiss authorities also make a distinction between temporary stays (of limited duration), short stays (of less than one year) and permanent stays (of unlimited duration).

The cantons are responsible for issuing these permits. For detailed information on the application procedure (where to apply, which form to complete, how long it will take, etc.), contact the respective cantonal authorities.

The following rules apply to cross-border commuters from EU-27 or EFTA1 member states:

- ▶ The place of residence must be in an EU-27 or EFTA member state.
- ▶ The employer or self-employed activity must be based in Switzerland.
- ▶ Cross-border commuters must return at least once per week to their place of residence outside of Switzerland.
- ▶ Cross-border commuters have the right to occupational and geographical mobility all over Switzerland.

Swiss Labor Law

Although there is no specific Swiss Labor Law, the main source that regulates labor law in Switzerland is the Federal Legislation. The federal ordinances (i.e., Swiss Code of Obligations - OR, articles 319 - 343) play a very important role, together with collective agreements (if any agreed) and standard contracts. There is a distinction between private labor law, which empowers the provisions of the employment contract and public labor law which imposes some minimal standards for work protection.

4. Payroll requirements

Employees must be paid monthly no later than the end of the month. In Switzerland, it is common practice to pay out salaries on the 25th of the month (depending on weekend and legal holidays). The payments are made in Swiss francs unless otherwise specified (OR, article 323b), usually into the employee's bank account.

Pay slip

All employees must be provided with a standard pay slip on their pay day. Hardcopy pay slips can be handed to the employee directly, provided via mail to the employee's home address (still the most common way) or provided as a softcopy electronically through an employee self-service internet portal.

5. Banking requirements related to payroll

Payments can be made via bank account or PostFinance account. It is recommended that all employees have a bank or PostFinance account, or several if they wish for payments to be split. It is not common in Switzerland to pay salaries by check or cash (payroll cash payments at the place of work are now uncommon in Switzerland).

Taiwan

T



1. Government requirements

Registration requirements

Social insurances

The social insurances in Taiwan cover labor insurance and national health insurance. The labor insurance is a compulsory social insurance covering workers who make money by working, and is implemented as comprehensive insurance. The national health insurance (NHI) is a type of social insurance system in which each participant is required to pay a monthly insurance premium in return for medical treatment for childbirth, illness or injury. The insuring party, according to The Labor Insurance Act and the National Health Insurance Act, is the institution or employer that employs the insured, or the organization to which the insured belongs. In addition to the above, the supplementary Second Generation NHI was also announced in 2013 to improve the current national health insurance program. For any new business that enters Taiwan, it shall apply the labor insurance and NHI numbers to the insurance bureaus after the business completed the legal entity setup procedure. These numbers can be used to enroll the hired employees into the social insurance program.

Ongoing compliance requirements

Payroll withholding tax payment

The term “tax withholder” as used in the Income Tax Act means a person or business who is required under this act to withhold income tax from the payment to be made to a taxpayer. The withholding tax should be withheld at the time when payment is made, and the withholding tax should be paid by the following timeline:

- ▶ Tax resident (person who stays in Taiwan for 183 days or more in a calendar year): The withholding tax shall be paid before 10th of the following month when the payment is made.
- ▶ Non-tax resident (person who stays in Taiwan under 183 days in a calendar year): The withholding tax shall be paid within 10 days when the payment is made.

In practical, the withholding tax can be paid by cash or check at the bank counter or convenience stores if the tax is less than a certain amount. Currently, there is no option for transferring the tax payments electronically to the tax authorities.

Withholding tax return filing

Besides the withholding tax payment, the business is also required to file the withholding tax return for the taxpayers by the following timeline:

- ▶ Tax resident: Annual filing the withholding tax return by 31 January of the following year.
- ▶ Non-tax resident: The withholding tax return shall be filed within 10 days every time the payment is made.

Annual supplementary Second Generation NHI reporting

Under the National Insurance Act, the business is also required to file the annual reporting of monthly Second Generation NHI premium paid by the employees. The filing timeline is 31 January of the following year.

EY contacts

Heidi Liu
T: +886 2 2757 8888
E: heidi.liu@tw.ey.com

Ann Shen
T: +886 2 2728 88877
E: ann.shen@tw.ey.com

2. Pension requirements

Registration requirements

Pension is governed by the Labor Standards Act (hereinafter referred to as the “old scheme”) and the Labor Pension Act (hereinafter referred to as the “new scheme”) (after 1 July 2005). All employers in Taiwan are required to contribute a certain minimum amount toward superannuation support for their workers. For any new business entering Taiwan, it shall apply the pension number (new scheme) to the Labor Insurance Bureau after it completes the legal entity setup procedure. This number can be used to enroll the hired employees into the pension program.

Ongoing compliance requirements

The rate of contribution by an employer to the labor pension fund per month shall not be less than 6% of the employee’s monthly wages. An employee may voluntarily contribute up to 6% of his or her monthly wages per month to his or her pension fund account. The full amount of the voluntary pension contribution made by an employee may be deducted from the employee’s taxable income in the year concerned. Local employees hired after 1 July 2005 and onward are applicable under the new scheme only; while foreign workers remained under the old scheme. Local employees who stayed in the same company before 1 July 2005 and who are planning to continue working in the same company can choose to remain under the old scheme. The employer must set aside pension reserves under the old scheme for foreign workers or those who

are applicable under the old scheme to the account in Bank of Taiwan with a rate from 2% to 15% of old scheme employees’ total wages.

3. Employment obligations

Employment law and minimum employment requirements

Taiwan’s comprehensive labor rights protection system is primarily based on the Labor Standards Act, the provisions of which stipulate the basic wage, working hours, weekends and holidays, and other basic working conditions. For persons paid by the month, the minimum monthly wage required by law is NTD27,470 (as of 1 January 2024); for persons paid by the hour, the minimum hourly wage is NTD183 (as of 1 January 2024). In addition to the minimum wage, the employer must provide overtime pay in accordance with regulations. Provisions related to public holidays and leaves are specified in the Labor Standards Act, the Regulations of Leave-taking of Workers, and the Act of Gender Equality in Employment. Also, workers who have worked continuously for the same employer or unit for certain completed spans of time are entitled to annual leave.

The Act of Gender Equality in Employment, which seeks to eliminate gender discrimination and prevent sexual harassment, along with other regulations that provide for equality in employment, such as the right to apply for no-pay parental leave, guarantee the basic rights of workers.



4. Payroll requirements

Payroll payments

According to Labor Standard Act, except otherwise agreed by the parties to a labor contract, or where wages are paid in advance on a monthly basis, wages shall be paid on a regular basis at least twice a month. This shall also apply to wages computed on a piecework basis.

An employer shall keep a worker payroll roster in order to record entries such as wages payable, the items of wage computation and the total sum of wage payment. This payroll roster shall be kept on file for at least five years.

If paying wages by cash, the employer and employee should sign a record to confirm the amount of money that has been paid for each pay period. For employees receiving foreign currency payment, the withholding tax is calculated based on the foreign exchange rate of the payment date.

Under Taiwan foreign exchange controls, a subsidiary or a branch office may remit in or out unlimited funds for the import or export of goods and services.

Except for the abovementioned circumstances and getting an approval from the competent authority, a subsidiary or a branch office is allowed to remit inward/outward with accumulated amount not exceeding USD50 million in a calendar year.

5. Banking requirements related to payroll

In Taiwan, payroll payments can be mostly paid by one or combination of:

- ▶ Cash
- ▶ Check
- ▶ Electronic funds transfer (i.e., EFT or bank transfer)



1. Government requirements

Registration requirements

Registration for a tax number

When an entity enters Tanzania, it must register with the Tanzania Revenue Authority (TRA) to get a Tax Identification Number (TIN) which will enable the company to pay taxes in the country. For payroll tax, every employee must have a Tax Identification Number (TIN). It is the employer's obligation to withhold payroll tax, i.e., Pay-As-You-Earn (PAYE), and submit the same to the TRA on the seventh day following the month of deduction. This requirement is governed by the Income Tax Act (ITA), 2004.

Registration with the Social Security Fund

Tanzania's social security system requires both the employer and the employee to be registered and to have a membership number. The statutory contribution rate is capped at 20% of the total gross emolument of the employee. The percentage of contribution to the fund is 10% from the employee and 10% from the employer. However, the employer may contribute more than 10% depending on the agreement with the employee. The payments to the authority are done on a monthly basis together with the filing of the monthly return.

Workers' Compensation Fund

Since 1 July 2015, employers have been subject to making contributions to the Workers' Compensation Fund (WCF). The contributions are payable on a monthly basis and are calculated as a percentage of the employee's monthly earnings – 0.5% for the private sector and 0.5% for the public sector.

Contributions are to be made on or before the last working day of the month after the end of the month to which the contribution relates. The employer should complete and submit the fund Form No. WCP-1 to support the remittance.

The employer should also submit the return of employees' annual earnings to the Director of the WCF by 31 March each year.

The WCF is a fund established under Section 5 of the Workers' Compensation Fund Act No. 20 of 2008.

Ongoing compliance requirements

PAYE withholding obligation

A resident employer is obliged to withhold the PAYE from the employee's salary on a monthly basis and file the statement of taxes withheld for the employees through the e-filing system of TRA. Employers are required to include the employee's TIN number when filing the PAYE, thereafter the e-filing system will generate a debit note that will be linked to the control number to remit the payment of the same on or before the seventh day of the following month.

The salaries and wages received by the employee are subject to income tax at four progressive tax rates ranging from 8% to 30%. The requirements are governed by the ITA, 2004 and the Tax Administration Act (TAA), 2015.

EY contacts

Khatija Khan

T: +27 31 57 6 8067

E: khatija.khan@za.ey.com

Nsanyiwa Donald

T: +255 22 2924040/41/42

E: nsanyiwa.donald@tz.ey.com

Bibiana Mkenda

T: +255 22 2927868

E: bibiana.mkenda@tz.ey.com

Skills and Development Levy (SDL)

This levy is payable by employers who have ten or more employees. The rate is 3.5% (effective 1 July 2023 – previously 4%) on gross emoluments, excluding benefits in kind. SDL returns are filed through the e-filing system monthly which are due on or before the seventh day after the end of the month to which the payment relates. The payment is also processed through the e-filing system.

2. Pension requirements

Registration requirements

Registration with a pension fund

Tanzania does not have a comprehensive social security system. However, the following pension funds are available with these contribution rates:

- ▶ Public Service Social Security Fund for employees in the public sector: 5% employee contribution and 15% employer contribution (on basic salary)
- ▶ National Social Security Fund for employees in the private sector: 10% employee contribution and 10% employer contribution on gross emolument.

Both the employer and the employee are required to register in one of the funds.

Ongoing compliance requirements

Monthly contribution from the salary

The employer is required to contribute and remit the contribution to the pension fund every month.

3. Employment obligations

Labor Law

The employer should follow the Tanzanian labor laws for all employment issues, such as:

- ▶ Working hours, rest and vacations
- ▶ Salary frequency and minimum wage
- ▶ Occupational safety and health
- ▶ Vocational training
- ▶ Labor dispute

Such matters are governed by the labor laws in Tanzania.



Labor Contract Law

The employer should follow the Labor Contract Law to:

- ▶ Sign labor contracts with employees on time
- ▶ Renew labor contracts with employees on time
- ▶ Terminate labor contracts with employees with severance pay or without severance pay when meeting certain criteria

4. Payroll requirements

Salaries shall be paid on the dates agreed between the employer and its employees. In case of holidays or non-business days, the salary shall be paid on the previous working day. The remuneration shall be paid, at least, once a month. If the employee is on a weekly, daily or hourly contract, remuneration may be paid every week, day or by the hour.

5. Banking requirements related to payroll

Payroll payments can be paid by any one or a combination of:

- ▶ Cash
- ▶ Check, money order or postal order, payable to the employee
- ▶ Electronic funds transfer (EFT) or bank transfer

If paying wages by cash, the employer and employee should sign a record to confirm the amount of money that has been paid during each pay period.

Banking of PAYE and SDL

Employers pay PAYE and SDL by the debit number generated from the e-filing system after submitting the monthly return.

The payment in local currency can only be made through EFT or a bank transfer.



EY contacts

Wiwattana Akkarawong

T: +66 2264 9090

E: wiwattana.akkarawong@th.ey.com

Jarassri Esapong

T: +66 2264 9090

E: jarassri.esapong@th.ey.com

Phasist Thanapitwiwat

T: +66 2264 9090

E: phasist.thanpitwiwat@th.ey.com

Chutipong Srisakorn

T: +66 2264 9090

E: chutipong.srisakorn@th.ey.com

Thanyaporn Surachartchairit

T: +66 2264 9090

E: thanyaporn.surachartchairit@th.ey.com

1. Government requirements

Registration requirements

Payroll withholding tax

In Thailand, the employer has an obligation to calculate and deduct withholding tax under progressive rates as well as social security tax based on rates stipulated by the social security office.

Social security fund

Social security fund is the fund that guarantees the insured with benefits in case of illness, injury, disability or death (not resulting from work), including maternity, invalidity, old age and unemployment. The insured employees should be above 15 years of age and not more than 60 years of age and have worked in establishments with employees that hire more than one employee. Employers with one or more employees must register within 30 days in case of new employees. The employer has to register with the social security fund by submitting the registered employer form together with relevant employer and corporate documents.

Workmen compensation fund

Workmen compensation fund is a fund that pays compensation to the employee for sickness, injury or death due to work, prevention or treatment of a disease or sickness benefits. This happens according to the nature or conditions of work or disease, as a result of work for the employer. For employers with more than one employee, it is obliged to register the workmen compensation fund together with the social security fund within 30 days.

Ongoing compliance requirements

Payroll withholding tax

The employer needs to remit the tax deduction by filing monthly payroll withholding tax return with the Revenue Department within seven days of the following month via hard copy and 15 days of the following month via e-filing (an approval for e-filing is required). The employer is required to file a summary of payroll withholding tax return on an annual basis with the Revenue Department by the end of February of the following year.

Social security contributions

The employer is required to deduct social security contributions from its employees' wages and contribute its share in an amount equal to the employees' contribution and submit the social security tax return within 15 days of the following month either in hard copy or e-filing (an approval for e-filing is required). The rate of contribution on the first THB15,000 is capped at THB750 per month.

In addition, the Social Security Office has also extended the deadline for submitting the Social Security contributions through e-Payment for another seven business days from the regular due date i.e., 15th of the following month of deduction, effective from January 2022 to December 2023.



Workmen compensation contributions

Employers pay contributions on a yearly basis. The contribution is based on the calculation of the wages to be paid to the employee for each year and up to THB240,000 per year. The contribution rate is set based on the risk profile of the employer's business. The employer is required to pay contributions by submitting the contribution forms in January and March of the following year.

2. Pension requirements

Registration requirements

Provident fund is a fund set up voluntarily between the employer and employees. The contribution to be made by the employer shall always equal the rate of the employee's savings or higher. Therefore, setting up of a provident fund can be regarded as a kind of benefit to motivate employees to work for the employer.

Ongoing compliance requirements

The employer is required to make the provident fund contributions with the fund manager within three working days after pay day.

3. Employment obligations

Labour Protection Act

The minimum wage rate is dependent on the locality/province with the highest rate of THB354 per day (with effect from 1 October 2022) as determined by the Wages Committee under this Act. The standard working hours shall not exceed eight hours per day and total working time per week shall not exceed 48 hours. Employees are entitled for overtime if working beyond or in excess of normal working time or exceeding the working hours agreed between the employer and the employee.

On working days, an employer shall arrange a rest period during work for its employees of not less than one hour per day after the employee has been working for not more than five consecutive hours. Sick leave is provided as long as the employee is actually sick. For sick leave of three days or more, the employer may require the employee to produce a certificate from a first-class physician or an official medical establishment. An employer shall announce not less than 13 traditional holidays per year in advance for employees, including National Labour Day as specified by the Minister.

An employee who has worked for an uninterrupted period of one year, is entitled to annual holidays of not less than six working days in one year.

An employer needs to pay severance pay to an employee upon termination of employment with certain conditions under this Act.

4. Payroll requirements

Payment shall be made not less than once a month.

Pay slips need to be provided to employees at the date of payment.

5. Banking requirements related to payroll

Payment can be made by cash, check, bank transfer. In case of paying cash, the signature of the employee needs to be obtained.

Trinidad and Tobago

T



EY contacts

Anna Mouttet
T: +1 868 822 5025
E: anna.mouttet@tt.ey.com

Alicia Pereira
T: +1 868 822 6163
E: alicia.pereira@tt.ey.com

Delon Frederick
T: +1 868 822 6169
E: delon.frederick@tt.ey.com

Roshni Ramlal
T: +1 868 822 5161
E: roshni.ramlal@tt.ey.com

1. Government requirements

Registration requirements

A company is required to register with the Board of Inland Revenue (BIR) as a taxpayer. As part of that registration process, a Pay-As-You-Earn (PAYE) file number for the remittance of employment taxes must be obtained to allow the company to fulfil their employment tax obligations. Registration with the National Insurance Board is also a requirement to obtain a National Insurance Scheme number to facilitate employee and employer contributions to the National Insurance Scheme. Both the employee and employer are required to be registered.

Registration procedures

a. Requirements for a company BIR number application are as follows:

- ▶ Completed and original notarized (external companies) with original signatures:
 - ▶ Form AO1-002 Section B
 - ▶ Form DP-003 Section C – “Names and addresses of all directors or members”
- ▶ Original and copy of registration documents from the company’s home country
- ▶ Power of attorney identifying two persons (citizens), issued by the Registrar General Department with copies of their IDs and consent to act as attorney
- ▶ Copies of two forms of director’s IDs (one being passport), which must be notarized in country of residence
- ▶ Outstanding returns (if applicable)
- ▶ A registered Trinidad and Tobago bank account showing evidence of trade or mobilization
- ▶ Novation agreement or letter of assignment of contract to the Trinidad and Tobago bank entity being registered
- ▶ Any other requirement that the BIR deems as necessary to grant the registration number

The above documents must be submitted to the BIR for processing.

b. Companies are required to complete and submit an NI 1 application form to the National Insurance Board to register as an employer.

There are no associated government registration fees for company BIR or national insurance registration numbers.

Ongoing compliance requirements

PAYE

An employer has the responsibility to deduct taxes from the emoluments of its employees in accordance with the Income Tax Employment Regulations (ITER) at the specified rates.

Taxes deducted or withheld ought to be remitted to the BIR on or before the 15th day of the month following the month in which the emoluments were paid. Failure to remit the taxes on or before the stipulated date will render the employer liable to a penalty of 25% of the tax. Interest accrues on the tax and penalty at the rate of 20% per annum until the amounts are paid.

The current tax rates in Trinidad and Tobago are 25% on the first TTD1 million of chargeable income and 30% on chargeable income above TTD1 million.

There is also health surcharge due of TTD8.25 per week.

Health surcharge remittances are also due by the 15th of the following month in which they were deducted.

Procedure for PAYE and health surcharge remittance

Documents for remittances of PAYE and health surcharge must be generated via the BIR's e-Tax system. e-Tax is the online portal provided by the BIR for taxpayers to manage their tax accounts online. Prior to accessing the e-Tax system, users must have acquired a TTConnect ID.

Remittance of PAYE and health surcharge to the BIR must be accompanied by a monthly PAYE and health surcharge declaration form and payment description slip (PDS).

The monthly PAYE, health surcharge declaration form and PDS must be generated via the e-Tax system on or after the first of the following month in which the deduction was made.

The details on the amounts withheld by the company are uploaded to the BIR's online e-Tax platform where the PAYE and health surcharge declaration form and PDS are generated which must then be completed, signed and the hard copies submitted to the BIR with the remittance.

Remittances may also be wire transferred via the Central Bank of Trinidad and Tobago for further remittance to the BIR. If the payment is in a foreign currency, the Central Bank's exchange rate as at the date of payment will be used for the conversion. The process for obtaining the monthly PAYE and health surcharge declaration form remains the same as for the manual process.

National insurance

Trinidad and Tobago has no social security program. A National Insurance Scheme (NIS) program provides pension, sickness and maternity benefits.

The National Insurance Board (NIB) administers the scheme where the employer and employee contribute. The current employer's weekly required contributions range from TTD23.80 for employees earning less than TTD1,472.99 per month to TTD276.20 for employees earning TTD13,600 or more per month. The employees' weekly required contributions range from TTD11.90 to TTD138.10.

NIS is due by the last day of the month for which NIS has been withheld; however, there is a grace period up to the 15th of the month following the month for which NIS has been withheld. The penalty for noncompliance of NIS is a penalty of 25% of the outstanding contribution and interest at the rate of 15% per annum on the combined sum.

Procedure for NIS remittance

Remittance of NIS can be made by cash or check to the NIB. Online payment option is available by registering with the NIB's e-payment facility.

Forms NI 184 and NI 187 must be presented with the remittance for the pay period to include information on employee and employer contributions and must be provided in the required format.

- ▶ For manual remittance, forms must be completed in duplicate duly signed, stamped and submitted along with the remittance to the NIB area office.
- ▶ Online submission and payment of contributions may be made. However, the company must have a local bank account to facilitate this method of remittance.
- ▶ The link below provides detailed instructions for the online remittance process – https://www.nibtt.net/NI_Payment_Registration/Instructions-Online%20Payment.html

The above procedure remains the same for both local and foreign nationals.

2. Pension requirements

There are no mandatory additional pension requirements other than as required by the NIS. Companies may establish and operate pension fund plans for its employees in accordance with any applicable insurance requirements.

3. Employment obligations

Employment obligations are generally governed by the Industrial Relations Act and professional advice should be sought in relation to employer's obligations under this act.

Workers' rights are protected by law in Trinidad and Tobago. Some of these rights include minimum wage, hours of work, payment of overtime rates, meal and rest breaks, vacation leave, sick leave and maternity benefits.

The current national minimum wage in Trinidad and Tobago is TTD17.50 per hour.

4. Payroll requirements

Payroll payments are to be made on the dates agreed between the parties and this may be done weekly, fortnightly or monthly. The most common payment frequency is monthly and it is the practice of companies to pay their employees on or around the 25th day of each month.

Under the income tax employment regulations, employers are expected to keep a record of payments made to employees, the PAYE and health surcharge deduction made per pay period.

In addition, employers are required to furnish the employees with the particulars of their salary or wages. This is generally done in the form of a pay slip (either electronically or hard copy).

At the end of the year during which tax was deducted (including health surcharge), but no later than the last day of February of the following year, the employer must issue the original and one copy of the TD.4 certificate to each employee showing total emoluments paid during the year and the total tax and other amounts deducted.

5. Banking requirements

Employers may make salary payments to employees in cash, in kind, by check or by bank transfer.

Companies usually credit employees bank accounts directly via the automatic clearing house system or direct disbursements via its bankers.

Salary payments from offshore bank accounts may be accepted into employee's local bank accounts however these amounts may be subject to bank charges.

Türkiye

T



1. Government requirements

Registration requirements

Social security

Employees who work with an employment contract in Türkiye are subject to Turkish national social insurance system that covers work-related accidents and illnesses, general social security and disability, and death in accordance with the Social Insurance and General Health Insurance Act no. 5510. National social security insurance also provides long-term insurance (retirement) benefits.

Employers who settle employees must register a workplace with Social Security Institution (SGK) at the latest before the first employment date and start monthly social security declarations for those who will be employed.

Ongoing compliance requirements

Monthly income and social security premium declaration

The employee's monthly income tax and social security contributions are calculated based on his or her monthly gross income, and reported via the monthly company withholding, and social security premium declaration through the Revenue Administration's (GİB) online portal to be shared with the SGK. Deadline for the submission of this declaration is 26th of each following month.

Taxation of the employees

According to Article 3 of the Income Tax Code, real persons who are residents in Türkiye are subject to taxation based on the entire income, and profit they earn both inside and outside of Türkiye. Cumulative income tax rates are applicable on employment income, and according to Article 94 of Turkish Income Tax Code, employers are obliged to calculate and report income taxes on the direct or indirect payments made for their employees on a monthly basis. The table below shows the withholding income tax rates applicable on employment income:

Tax brackets (TRY)	Rates
Up to 110,000	15%
110,001 - 230,000	20%
230,001 - 870,000	27%
870,001 - 3,000,000	35%
For more than 3,000,000	40%

By January 2022, there has been some legislation changes on income tax applications in Türkiye with the Act no. 7349. This new change provided an income tax exemption to be implemented up to the income tax amount calculated based on monthly minimum wage for all employees. The tax deduction or exemption amount cannot be higher than the monthly income tax amount calculated over the monthly minimum wage. If the employee receives employment income from more than one employer at the same time, the income tax exemption would only be applicable on the higher salary amount. There is also the stamp tax exemption in place, limited with the amount calculated on the minimum wage for all employees.

Social security contributions

Social security contributions are calculated based on the employees' monthly gross wage (including base wage, bonuses or any cash benefits) and are capped. For the second biannual period of 2024, lower monthly cap amount is TRY20,002.50,

EY contacts

Hande Aksoy

T: +90 530 391 20 46

E: hande.aksoy@tr.ey.com

Barış Eken

T: +90 533 962 70 02

E: baris.eken@tr.ey.com

Caner Çelik

T: +90 530 151 50 79

E: caner.celik@tr.ey.com

which is the minimum gross wage in force and upper monthly cap amount is TRY150,018.90 which is 7.5 times of the minimum gross wage. Standard social security premium rate is 37.5%, including the unemployment contributions. Employee share is 15% (7.5% for retired employees) and employer share is 22.5% (24.5% for retired employees) in this rate. Please note that for social security contributions, different kind of incentives could be available for companies. Each incentive should be evaluated separately and then an application could be made to the authority to reduce the total cost of company. For example, private sector companies can benefit from 5% (22.5% - 5% = 17.5%) reduced social security employer contribution, in case they met the specific criteria (i.e., completion of social security contribution payments on time, complying fully with social security legislation and so on),

By March 2023, EYT (The Regulations for employees who meet all the conditions for retirement except age) has been accepted in the Turkish Grand National Assembly. With the law adopted by the Turkish Grand National Assembly; 1. Those who started to work within the scope of disability, old age and death insurance before 8/9/1999 (inclusive) and those who started to work within the scope of disability, old age and death insurance after 9/9/1999 (inclusive), but whose insurance start date is brought back to before 8/9/1999 (inclusive) with the borrowings they have made according to the provisions of the relevant legislation that allows them to bring back the insurance start date are considered to be EYT. Those who have completed their insurance period and premium payment days will be able to retire if they apply, regardless of age. Persons who are retired within the scope of EYT and who are given a notice of resignation will be entitled to a 5-point discount if they start working in the private sector workplace where they last worked within 30 days following the date of quitting the job for retirement as subjected to Social Security Support Premium (SGDP). However, those who will start to work in a different workplace after retirement or those who will start to work at a job from the same workplace after a 30-day period will not receive a 5-point discount.

Stamp duty

Stamp duty is calculated based on the gross employment income of the employee at a rate of 0.00759 on monthly basis, and reported via monthly company withholding and social security premium declaration. Deadline for the submission of this declaration is 26th of each following month.

2. Pension requirements

Old-age insurance and old-age pension (Turkish State Pension Plan)

Türkiye's state pension is organized by the Social Insurance and General Health Insurance Act no. 5510. According to this act, the premiums paid over the wages of employees according to their insurance status are collected in a joint

pool and the benefits are provided based on the paid premiums only when old-age pension is entitled. The amount of the benefits to be granted to the insurance holders in cases of retirement, accident and sickness varies by the income they previously had.

The long- and short-term insurance, universal health insurance and unemployment insurance premiums of the individuals working on service contract (workers) shall be paid to the Sosyal Güvenlik Kurumu (SGK) by their employers by deducting the amount equal to the rate of premium collected over total earnings from workers' wages and adding the amount of premium to be paid by the employers.

Social security contributions of employees and employers are paid in total at 34.5% of the premium-based wage of the workers paid by the employer to the SGK. Each employee's cost is obtained by adding the employer's share on premium-based wage amounts. Employers are able to deduct such contributions from their taxable income. Employee contributions are deductible from the employee's income tax base.

Compulsory individual pension system

In addition to the state pension plan, employees are also registered in compulsory individual pension system and 3% of the premium-based monthly wage of the employee is transferred to pension funds through private pension companies (authorized by the Undersecretariat of Treasury), which are contracted by their employers. Employees can leave compulsory individual pension system at any time. As an incentive for the operation of this system, contributions to the salaries of employees are awarded with a contribution of 25%, subject to the same conditions as the existing private pension system. Employers are obliged to communicate their employees' information and requests for employees' contracts to the pension company. It is also possible for employers to make agreements with more than one pension company. Employees must have already received individual pension insurance or have already been included in the employer-contributed retirement plan through their employer, which does not preclude inclusion in the enrolled system. In this case, they will also be subject to automatic attendance.

3. Employment obligations

Social security registrations of employees

According to Social Insurance and General Health Insurance Act no. 5510, employer must register a new employee by submitting an entrance notification via SGK e-declaration portal at least one day before the starting day. If the employee's starting date is Monday, this notification can be made on the same day, as the previous day is a public holiday; the notification will be deemed to have been made

within the legal period. In newly registered workplaces, for the employees who will be working as of the workplace's registration day, it is possible to make this notification in one month. In this case, the notification will be deemed to have been made within the legal period as well. Employer must submit an exit notification for the dismissed employees via SGK e-declaration portal within 10 days of the dismissal at the latest.

A foreign person who does not have a social security coverage elsewhere has also to be registered in the Turkish social security system by the local employer. Foreign persons who have a social security coverage in another country, on the other hand, are exempt from paying social security contributions in Türkiye provided that:

a. A reciprocal agreement was signed between Türkiye and their home country.

Or

b. Their home country is party to the European Convention on Social Security.

Certificate of coverage documents must be submitted to SGK in order to ensure the social security contribution exemption is granted in Türkiye.

General conditions of employment

Employment conditions in Türkiye are regulated by the Labor Act no. 4857, International Workforce Act no. 6735 and related legislation. Please note that it is obligatory that at least five Turkish national employees to be employed at the workplaces for which the work permit is requested for foreign nationals.

Minimum wage

The national monthly gross minimum wage effective between 1 Jan 2024 and 31 December 2024 is TRY20,002.50 which is applicable to all categories of employees of their age, industry and experience.

Working hours

The maximum allowed working hours is 45 hours per week and can be distributed over the working days during the week, provided that daily working hours do not exceed 11 hours per day. Employees must be given a rest period of at least 24 hours in a working week.

Overtime payment

The employee's overtime cannot exceed 270 hours per year. Overtime payments are calculated according to the employee's normal working hours, where the employee works overtime above the maximum working hours (45 hours per week), the salary for each hour of overtime worked must be compensated as 1.5 times the employee's hourly rate. If the employee's normal weekly working hours are less than 45 hours per week and the employee works overtime, the wage for each hour of overtime worked must be compensated as 1.25 times the employee's normal hourly rate, for all overtime worked up to 45 hours a week.

Holiday

Employees are granted paid holiday upon completion of the first year with the employer. The minimum paid holiday for each year is regulated as 14 workdays for those with seniority up to five years, 20 workdays for those with seniority between five and 15 years, 26 workdays for those with seniority more than 15 years. For the employees aged 18 years or less and for the employees aged 50 years or more, paid holiday cannot be less than 20 days.

Termination notice periods

Minimum notice periods that must be provided by both employers and employees when terminating employment are as follows:

- ▶ For the ones who have less than six months seniority: at least two weeks of notice
- ▶ From six to 18 months seniority: at least four weeks of notice
- ▶ From 18 months to three years of seniority: at least six weeks of notice
- ▶ More than three years of seniority: at least eight weeks of notice

Parties can agree on longer notice periods with the employment contract.

4. Payroll requirements

According to Labor Act no. 4857, the employer has to give the employee a pay slip during each monthly wage payment showing calculation details. Pay slips should also include the following information: the date of the payment and the period it relates to; overtime; weekly holidays; and the amount of any additions made to the original wage, such as general holiday fees, taxes and insurance premiums. All kinds of deductions, such as advance deduction, alimony and execution, must be shown separately.

5. Banking requirements

As per the Labor Act no. 4857, employee wages, premiums, bonuses and all kinds of remuneration are paid in Turkish currency to a bank account opened privately. If it is agreed that the wages, premiums, bonuses and all kinds of remuneration to be in foreign currency, the payment can be made in Turkish currency according to the current rate on the payment day.

Social security contributions can be paid through all banks. However, all tax liabilities, including employment tax, can only be paid through state banks.

Uganda

U



1. Government requirements

Registration requirements

Tax Identification Number (TIN) Registration

A company liable to pay tax in Uganda is obliged to register with the Uganda Revenue Authority (URA) to obtain a Tax Identification Number (TIN).

Application for a TIN is free and is done online on the URA page and submitted together with the following attachments:

- ▶ Company form 18 which is a notice of situation of the registered office and portal address
- ▶ Company form 20 which lists the directors of the company
- ▶ Company form 25 which is a list of names and address of persons resident in Uganda authorized to accept services on behalf of a company incorporated outside Uganda
- ▶ Certificate of incorporation or registration (for foreign entities) issued by the Uganda Registration services Bureau (URSB)

Once this process is concluded, there is no further requirement to register for payroll taxes. Such registration creates obligations under the Income Tax Act Cap 340 to employers to withhold tax from the employee's gross salary and remit the same to the Uganda Revenue Authority by the 15th day following the month of deduction.

National Social Security Fund (NSSF) Registration

The National Social Security Fund Act Cap 22 mandates employers who have five or more employees between 16 and 55 years of age with an exception of employees under the Government Pension scheme to register and make monthly contributions. The Act also provides for voluntary membership for employers with less than five employees.

Registration can be done online or at any NSSF branch at no fee.

Local Service Tax (LST)

Local Service Tax is governed by the Local Government (Amendment) No.2 of 2008 and is levied on salaries, wages, and incomes of all persons in gainful employment.

Application for a LST number is free of charge.

Ongoing compliance requirements

Pay-As-You-Earn (PAYE)

An employer is required to withhold the PAYE from an employee's gross salary every month and remit the same to the Uganda Revenue Authority by the 15th day following the month of deduction.

In addition to payment of PAYE, the Tax Procedure Code Act, 2014 mandates an employer to file PAYE returns by the 15th day of the following month to correctly account for PAYE on the employment income. These returns are downloaded from the URA portal, populated and submitted online.

EY contacts

Allan Mugisha

T: +256 414 34520

E: allan.mugisha@ug.ey.com

Muhammed Ssempijja

T: +256 414 343520

E: ssempijja.muhammed@ug.ey.com

Ronald Amega

T: +256 414 343520

E: ronald.amega@ug.ey.com

Tax rates applicable for resident individuals	
Chargeable income	Tax rate
Not exceeding UGX2,820,000 per annum (235,000 per month)	Nil
More than UGX2,820,000 (235,000 per month) but not exceeding UGX4,020,000 per annum (335,000 per month)	10% of the amount by which chargeable income exceeds UGX2,820,000 ⁴ 12 per annum (235,000 per month)
More than UGX4,020,000 (335,000 per month) but not exceeding UGX4,920,000 per annum (410,000 per month)	UGX120,000 (10,000 per month) plus 20% of the amount by which chargeable income exceeds UGX4,020,000 per annum (335,000 per month)
Exceeding UGX4,920,000 per annum (410,000 per month)	a. UGX300,000 (25,000 per month) plus 30% of the amount by which chargeable income exceeds UGX4,920,000 per annum (410,000 per month); and b. Where the chargeable income of an individual exceeds UGX120,000,000 (10,000,000 per month), an additional 10% charged on the amount by which chargeable income exceeds UGX120,000,000 per annum (10,000,000 per month)

Tax rates applicable for resident individuals	
Chargeable Income	Rate of Tax
Not exceeding UGX4,020,000 per annum (335,000 per month)	10%
More than UGX4,020,000 (335,000 per month) but not exceeding UGX4,920,000 per annum (410,000 per month)	UGX402,000 (33,500 per month) plus 20% of the amount by which chargeable income exceeds UGX4,020,000 per month (335,000 per month)
Exceeding UGX4,920,000 per annum (410,000 per month)	a. UGX582,000 [48,500 per month] plus 30% of the amount by which chargeable income exceeds UGX4,920,000 per annum [410,000 per month]; and b. Where the chargeable income of an individual exceeds shs.120,000,000 [10,000,000 per month] an additional 10% charged on the amount by which chargeable income exceeds UGX120,000,000 per annum [10,000,000 per month]

NSSF Returns and Payment

In accordance with the NSSF Act, employers are required to pay 15% of each employee's gross salary excluding non-cash emoluments monthly. Five percent of the contribution is deducted from the employee's salary and 10% is a contribution from the employer.

In accounting for these contributions, NSSF returns must be filed by an employer by the 15th day following month of deduction.

Local Service Tax returns and payment

The Local Government Act imposes an obligation to file annual LST returns with the Local Government of Uganda within the first four quarters of each fiscal year.

The LST rates schedule is as follows:

Uganda Local Service Tax Rates	
Amount of monthly income earned in UGX)	Amount of local service tax in UGX per year
Below 100,000	0
From 100,000 to 200,000	5,000
From 200,000 to 300,000	10,000
From 300,000 to 400,000	20,000
From 400,000 to 500,000	30,000
From 500,000 to 600,000	40,000
From 600,000 to 700,000	60,000
From 700,000 to 800,000	70,000
From 800,000 to 900,000	80,000
From 900,000 to 1,000,000	90,000
One million and above	100,000

2. Pension requirements

In accordance with the pensions Act cap 286 provides for the grant and regulation of pensions, gratuities and other allowances in respect of the public service of officers under the Government of Uganda.

Civil servants in Uganda are not liable to NSSF but instead have pensions put in place by the Government of Uganda.

Where that is not the case, a pension scheme or provident fund is a voluntary arrangement between an employer and employee. The Uganda Retirement Benefits Regulatory Authority is the body charged with licensing pension schemes in Uganda.

Ongoing compliance requirements

Compliance requirements depend on the type of scheme or fund. They may be annual contributions, or monthly payments depending on the circumstances.

3. Employment obligations

The Employment Act, 2006 governs individual employment relationships. The Act applies to all employees employed by an employer under a contract of service.

The employer's obligations include:

- ▶ Issuance of employment contract which attributes rights and responsibilities between parties and is governed by contractual principles of offer, acceptance, consideration and legality.
- ▶ Payment salary or wages to employees periodically as agreed.
- ▶ Overtime payment where an employee has exceeded agreed time frames.

- ▶ Duty of employer to provide work.
- ▶ Promotion of equal opportunities and protection against discrimination.
- ▶ Protection from sexual harassment.
- ▶ Obligation to consult employee before any transfer of contract is made.
- ▶ Restriction from employing children below the age of 12.
- ▶ Obligation to ensure all expatriate labour force have work permits and are in Uganda legally.
- ▶ An employer must accord an employee at least one day per week to rest.
- ▶ Working hours per week are 48 hours maximum however where a person is working in shifts, the hours shall not exceed 10 hours a day or 56 hours a week.
- ▶ According employees fully paid annual leave of 21 days taken at a time agreed between the employer and employee.
- ▶ Providing employees full payment on public holidays or in instances where the employee works on a public holiday, they are entitled to receive pay not less than double the rate payable for work on a day that is not a public holiday.
- ▶ Providing employees sick leave with full pay for a month.
- ▶ Allowing pregnant women to take fully paid maternity leave of three months.
- ▶ Paternity leave of four working days.
- ▶ Obligation by both parties to give notice of termination of contract. This notice varies depending on the period of service and ranges from two weeks to three months' notice.
- ▶ Employer has an obligation to provide proof of reason for termination of employees.
- ▶ Employer must take reasonable care to ensure work premises are safe.

4. Payroll requirements

Some companies provide employees with pay slips either electronically or physical slips in the month following payment.

5. Banking requirements related to payroll

Payroll payments can be paid by one or a combination of;

- ▶ Cash
- ▶ Check
- ▶ Electronic Funds Transfer

Where cash is the preferred mode of payment, the employer and employee should maintain a record to confirm that the stated amount of money has been duly paid to the employee.

Ukraine

U



1. Government requirements

Registration requirements

State registration

In order to enter the Ukrainian market, the organization should register its business presence in Ukraine. If the organization contemplates hiring employees in Ukraine, it may register a separate legal entity in Ukraine or register a representative office or a branch. The legal entity, representative office or branch will thus be considered as an employer. Depending on the form of the business presence, the registration procedure (including for payroll and social security purposes) varies.

Registration of a legal entity

In order to register the legal entity, the organization should file with the Ukrainian state registrar a registration application on state registration of the incorporation of a legal entity along with constituent documents of the legal entity and documents on its founder(s). The tax registration of the legal entity (including for the general tax purposes, payroll and social security purposes) is performed automatically through the Ukrainian state registrar, as based on the registration application filed by the organization, it transfers all the required data to the tax authorities which register the legal entity for tax purposes. This procedure is established in the Law of Ukraine "On State Registration of Legal Entities, Private Entrepreneurs, and Public Formations" No. 755-IV dated 15 May 2003 (the "Law on State Registration"), Order on Registration of Taxpayers approved by the Order of the Ministry of Finance of Ukraine No. 1588 dated 9 December 2011 (the "Order on Registration of Taxpayers"), and Order on Registration of Payers of Unified Contribution on Mandatory State Social Insurance approved by the Order of the Ministry of Finance of Ukraine No. 1162 dated 24 November 2014 (the "Order on Registration of Unified Social Contribution Payers").

There is no registration fee applicable for the state registration of the legal entity and tax registration of the legal entity.

Registration of a representative office or a branch

Registration with the Ministry of Economy of Ukraine (the Ministry)

In order to register the representative office or the branch in Ukraine, the organization should first undergo the registration procedure with the Ministry. To apply for the registration with the Ministry, the organization should file with the Center for providing administrative services (the Center) the registration application, supported with certain documents. Requirements to the registration application and list of the supporting documents to be supplemented, as well as details of the registration procedure are defined in Instruction on Registration of Representative Offices of Foreign Business Entities in Ukraine approved by Order of the Ministry of Foreign Economic Affairs and Trade of Ukraine No. 30 dated 18 January 1996 and Decree of the Cabinet of Ministers of Ukraine On Certain Issues of Registration of Representative Offices of Foreign Economic Entities in Ukraine No. 893 dated 23 October 2019.

EY contacts

Olga Gorbanovskaya
T: + 38 044 490 30 22
M: + 38 067 507 73 62
F: +38 044 490 30 30
E: olga.gorbanovskaya@ua.ey.com

Halyna Khomenko
T: + 38 044 490 30 00
F: +38 044 490 30 30
E: halyna.khomenko@ua.ey.com

The statutory duty for such registration is calculated based on the statutorily established subsistence minimum as of 1 January of the respective year. Subsistence minimum refers to the value assessment of a set of food products, sufficient to ensure normal functioning of a human organism and maintaining health, as well as non-food products and services necessary to ensure basic social and cultural needs of a person. As of 2023, it is equal to:

- ▶ UAH80,520 (30 subsistence minimums) for residents of the state-aggressor as determined by the Ukrainian Parliament, or
- ▶ UAH2,684 (one subsistence minimum) for residents of other states

Registration with the Ukrainian statistics authorities

After the representative office (branch) is registered with the Ministry, the organization should undergo registration of the representative office (branch) with the Ukrainian statistics authorities, which introduces information on it to the Unified State Register of Companies and Organizations of Ukraine. The registration with the Ukrainian statistics authorities is ruled by the Resolution of the Cabinet of Ministers of Ukraine "On Establishment of the Unified State Register of Companies and Organizations of Ukraine" No. 118 dated 22 January 1996. Registration fee is immaterial and does not exceed UAH100.

The statistics authorities assign to the representative office (branch) an identification code, which further also serves as a tax registration number of the representative office (branch).

Registration with the Ukrainian tax authorities for general tax and payroll purposes

After the representative office (branch) is registered with the Ukrainian statistics authorities, the following registrations with the Ukrainian tax authorities shall be performed:

- ▶ Registration of the head office for Corporate Income Tax purposes, and
- ▶ Registration of the representative office (branch) for the payroll purposes

According to the Order on Registration of Taxpayers, in order for the representative office (branch) and its head-office to be registered for general tax purposes and payroll purposes, separate registration applications completed under form 1-OPN should be filed with the local tax authorities. No registration fee applies.

Registration with the Ukrainian tax authorities for social security purposes

According to the Order on Registration of Unified Social Contribution Payers, in order to be registered for social security purposes, the representative office (branch) should file with the local tax authorities a registration application under form 1-ESV.

No registration fees applies.

New employees

The employer is obliged to inform the State Tax Service of Ukraine about new employees at least one day prior to an employee's first day of employment by submitting a notification form. The notification can be submitted electronically or in paper. (Resolution of the Cabinet of Ministers of Ukraine #413 of 17 June 2015).

Ongoing compliance requirements

Personal Income Tax (PIT) withholding obligation

The Ukrainian employer should act as a tax agent in respect to the income (both in cash and in kind) paid to its employees through the Ukrainian payroll, and is obliged to withhold and remit PIT to the state budget of Ukraine at the source of payment. PIT arising from the income paid to employees via bank transfer should be remitted to the state budget of Ukraine on the same day that the income is paid. PIT arising from income in the form of benefits in kind and cash payments made through the employer's cash register should be remitted to the state budget of Ukraine during three banking days after income is paid.

Employment income is taxed at a 18% PIT rate (Tax Code of Ukraine No. 2775-VI effective 1 January 2011, as amended).

Military levy withholding obligation

Any income, which is subject to PIT, is also subject to the military levy at a 1.5% rate (Tax Code of Ukraine No. 2775-VI effective 1 January 2011, as amended).

Payroll reporting obligation

The Ukrainian employer shall submit quarterly reports to the State Tax Service of Ukraine, disclosing information on the compensation paid to its employees and taxes withheld from such income. Quarterly reports should be filed within 40 days upon the end of the respective quarter.



2. Pension requirements

Registration requirements

Pension contributions are included into the social security contributions (the Unified Social Tax). There is no need for the company to separately register for pension contributions. As mentioned earlier, the registration of the legal entity for social security purposes is performed automatically through the Ukrainian state registrar, while registering the new legal entity in Ukraine.

The representative office (branch) should file with the State Tax Service a registration application (form 1-ESV) to register for social security (including pension) contributions.

Ongoing compliance requirements

Social security contributions (the Unified Social Tax (UST))

Social security contributions in Ukraine is due in the form of the Unified Social Tax (the UST). The UST is a single payment, which includes pension, unemployment, temporary disability and accidents at workplace insurance contributions. The employer accrues the UST on top of the employees' compensation paid through the Ukrainian

payroll at a 22% rate. The maximum monthly base for the UST accruals is 15 minimum wages (UAH100,500 as of 1 January 2023.). The UST contributions are processed by the State Tax Service of Ukraine.

Special UST accrual rates (8.41%, 5.3% and 5.5%) apply to income of disabled individuals. (The Law of Ukraine "On collection and accounting of a unified tax for mandatory state social insurance" #2464-VI of 08.07.2010)

3. Employment obligations

Minimum wages

The minimum monthly wage is established at the level of UAH 6,700 as of 1 January 2023*. The minimum hourly wage constitutes UAH 40.46 as of 1 January 2023. It is forbidden to pay the full-time employees less than the minimum monthly salary. (Labor Code of Ukraine #322-VIII of 10 December 1971, as amended; The Law of Ukraine "On payment for labor" #108/95-BP of 24 March 1995)

Working hours

The standard duration of working hours shall not exceed 40 hours per week. The regular working hours must not exceed seven hours per working day in six working days week and eight hours per working day in five working days week. Normal duration of working hours per month is



established each year by the letter of the Ministry of Social Policy of Ukraine, considering all the statutory holidays and non-working days. Work beyond normal working hours are compensated at the increase rates, as follows:

- ▶ Overtime work: double regular pay rate
- ▶ Work on weekends and holidays: double regular pay rate (or another day-off)
- ▶ Work at night (work from 10 p.m. till 6 a.m.): 1.2 times the regular pay rate (Labor Code of Ukraine #322-VIII of 10 December 1971, as amended)

Rest periods

The duration of weekly uninterrupted rest shall be not less than 42 hours. There are 12 statutory holidays in Ukraine. If a holiday falls on the weekend, the day off is shifted to the following working day. The duration of a working day prior to a statutory holiday is shortened by one hour.

The employee is entitled to a break of up to two hours per shift (working day). Start time and end time of the break should be established by the internal documents of the company. Normally, a break for lunch shall be granted to employees after four hours of work (Labor Code of Ukraine No. 322-VIII of 10 December 1971, as amended).

Leave days

The employee is entitled to an annual vacation of 24 calendar days per year. The employee receives a right to take an annual vacation after six months of continuous

employment at a company. Moreover, additional types of vacation could be taken by employees if certain criteria are met, e.g., an employee has two children under 15; is a single parent, etc. Pregnant employees are provided with paid maternity leave for 126 calendar days (70 days before going into labor and 56 days after giving birth). The employees could also take unpaid childcare vacation until a child turns three years old (Labor Code of Ukraine No. 322-VIII of 10 December 1971, as amended; The Law of Ukraine "On vacations" No. 504/96-BP of 15 November 1996).

Employment matters are governed by the Ministry of Social Policy of Ukraine.

4. Payroll requirements

Pay slips

The employer is obliged to inform employees on their earnings. Pay slips can be provided either in electronic form or hard copy. (The Law of Ukraine "On payment for labor" No. 108/95-BP of 24 March 1995).

Payment frequency

The employee's salary should be paid twice a month over the period of time, not exceeding 16 days between the payments, and not later than seven days after the end of the period for which the salary payment is made.

An advance payment should not be less than the remuneration for the actual time worked during the reporting period (i.e., the first part of the month). If the salary payment day falls on a weekend day, a holiday or a day off, the salary shall be paid the day before. Apart from the two regular salary payments mentioned above, there are certain types of unscheduled payments, such as vacation allowance, that should be paid three days prior to the start of vacation, and final settlement with a terminated employee that should be executed on his or her last working day (Labor Code of Ukraine No. 322-VIII of 10 December 1971, as amended; The Law of Ukraine "On payment for labor" No. 108/95-BP of 24 March 1995).

Payment control process

Banks are acting as a control authority while processing the salary payments, ensuring that the taxes (PIT, military levy, the UST) out of the employee's respective compensation are paid to the budget of Ukraine.

5. Banking requirements related to payroll

Currency of payment

All the employee's salary and related payments should be done in local currency (hryvnia - UAH). It is impossible for the Ukrainian companies to pay salary in foreign currency.

United Arab Emirates

U



1. Government requirements

Registration requirements

United Arab Emirates (UAE) Labor Law

The UAE has a new set of labor laws governing private sector employment relations. On 2 February 2022, Federal Decree Law No. 33 of 2021 (New Labor Law) took effect, repealing and replacing Federal Law No. 8 of 1980, as amended, in its entirety.

In addition to the labor law changes, the UAE government has changed to a Monday-Friday work schedule (with a half day on Fridays) for all government employees.

The Dubai International Financial Centre (DIFC) is a financial Free Zone defined in Federal Law No. 8 of 2004, as an independent jurisdiction within the UAE. DIFC's unique legal and regulatory framework is based on international standards and principles of common law that is tailored to the region's unique needs, creating the optimal environment for financial services and related industries and services to grow.

The Abu Dhabi Global Market (ADGM) is an international financial free zone dealing with independent regulations, and the Abu Dhabi Law No. (4) of 2013 sets out the governance, legislative, and regulatory framework and activities to be carried on in the ADGM.

Ongoing compliance requirements

Employment contract

Article 8 of the New Labor Law states that the employer shall conclude an employment contract with the employee, according to the agreed work pattern. The contract shall be made in two copies; one copy shall be kept by the employer and the other shall be handed over to the employee, as per the forms specified in the Implementing Regulation.

2. Pension requirements

Pension contributions are due only in respect of nationals of the Gulf Cooperation Council (GCC) Member States.

A UAE national/GCC employee shall be entitled to pension benefits at the end of his service, in accordance with the legislation regulating the pensions and social securities in the State.

The General Pension and Social Security Authority (GPSSA) handles social security insurance for all the emirates excluding Abu Dhabi. Only UAE nationals, who hold a family book, or GCC national employees, are entitled to be enrolled in the GPSSA pension scheme. UAE nationals who are not eligible for registration with the GPSSA and expatriates in the UAE are entitled to receive an end-of-service gratuity payment in accordance with the UAE Labor Law.

A GCC citizen who works in another GCC country, has the right to enjoy pension in the same ways as he or she would enjoy if working in his or her own home country. He or she is eligible to receive pension as per the respective law of his or her country.

EY contacts

Smruti Varma

T: +971 4 3129 427

E: smruti.varma@ae.ey.com

Smitha Rayirath

T: +971 4 7010525

E: smitha.rayirath@ae.ey.com

The Abu Dhabi Retirement Pension and Benefits Fund (ADRPBF) manages the social security contributions for UAE nationals in the emirate of Abu Dhabi. Similar considerations and obligations outlined above apply in Abu Dhabi. The employer must register and contribute on behalf of the employee within 30 days of the employee joining the entity.

End of service benefits

A full-time foreign worker, who completed a year or more in continuous service, shall be entitled to end-of-service benefits at the end of service, calculated according to the basic wage as per the following:

- a. A wage of 21 days for each year of the first five years of service
- b. A wage of 30 days for each year exceeding such period.

The unpaid days of absence from work shall not be included in the calculation of the service term. The employer shall pay to the worker, within 14 days from the end date of the contract term, his or her wages and all of his or her other entitlements stipulated herein, and resolutions issued for its implementation, the contract or the establishment's by-laws.

In October 2023, the Ministry of Human Resources and Emiratisation (MoHRE), in conjunction with the Securities and Commodities Authority (SCA), issued Cabinet Resolution No. (96) of 2023 introducing a voluntary, alternative end-of-service benefits scheme for employers and employees in the private sector that enables employers to make monthly end-of-service payments in place of a lump-sum payment at the end of the employees' service tenure.

DIFC Employee Workplace Savings Plan (DEWS)

Effective February 2020, the DIFC has introduced a progressive end-of-service benefit plan that offers employees a voluntary savings option - DIFC Employee Workplace Savings Plan (DEWS). According to the scheme, for employees with a period of up to five years of service, the employer will contribute a minimum 5.83% of basic salary as the monthly contribution. For employees with a period in excess of five years of service, the contribution will be 8.33% of basic salary. All contributions should be made in US dollars.

Ongoing compliance requirements

Pension payment to the insured

In respect of government employment, an eligible UAE national employee is required to contribute 5% of their monthly salary and the government employer is required to contribute 15%. In respect of private sector employment, employers would pay 12.5% with an additional 2.5% being contributed by the government. The monthly minimum

salary subject to social security contributions is AED1,000 and maximum of AED50,000 for GPSSA while ADRPBF contributions at AED3,000 and AED60,000 respectively.

As per the new Law No. (57) of 2023 effective 31 October 2023, the total new contribution due for first time contributors entering the workforce is 26%, distributed as 11% the insured's share in the government and private sector and 15% the employer's share in the government and private sector. The government bears 2.5% on behalf of the employer in the private sector for Emiratis whose contribution account salaries are less than AED20,000.

ADRPBF does not manage Social Security Insurance (SSI) and pension on behalf of GCC Nationals and this responsibility still lies with GPSSA. Where pension contributions are paid late, the GPSSA may impose relevant fines as applicable for each day the contributions are overdue.

3. Employment obligations

General employer obligations

The New Labor Law introduced new types of work to allow employers to fulfil their labor requirements at reduced cost through part-time work, temporary work and flexi work including hiring those whose work contracts have expired but who are still in the country.

Emiratisation

In September 2022, the MOHRE announced that private sector companies with at least 50 employees must have at least 3% of their workforce made up of Emiratis by 7 July 2023. On 11 July 2023, a new update to the rules was announced whereby private companies with 20 to 49 employees are now included in the government's Emiratisation drive hiring at least one UAE citizen in 2024 and another by 2025. Free Zone companies, including those established in the ADGM and the DIFC, are not subject to Emiratisation laws.

Private companies who fail to meet the deadlines for Emiratisation targets now face fines as per guidelines.

Leave entitlements

Maternity leave

As per Article 30 of the Federal Decree Law No.33 of 2021 of the UAE Labor Law, maternity leave is increased to 60 days (45 days' full pay, 15 days' half pay). Employees will also be entitled to maternity leave and pay in the case of stillborn babies and new-born deaths. An additional unpaid leave of 45 days will be allowed if they suffer a pregnancy-related illness. This period of leave will not be included when calculating the employee's end-of-service benefits.

Annual leave

- a. Two days of leave for every month if his or her service is more than six months and less than one year
- b. A minimum of 30 days annually, if his or her service exceeds one year

The employee may carry over no more than half of his or her annual leave to the next year or agree with his or her employer to be paid in lieu thereof based on his or her wage received at the time of leave entitlement. Annual leave is usually calculated on the basis of a calendar month rather than by working days.

The law also stipulates that a part-time employee will be entitled to annual leave in accordance with the actual number of working hours spent by the employee in service of the employer. This period will be determined on the basis of the total working hours after being converted to working days, divided by the number of working days in a year, multiplied by the statutory annual leave entitlements, with a minimum of five working days per year for annual leave.

Sick leave

The employee must report to the employer any injuries or illnesses preventing him or her from working within a maximum period of two days. Employees will not be entitled to any paid sick leave during their probationary period. After a period of three months of continuous service following the probation period, the employee is entitled to sick leave (continuous or intermittent) wages as follows:

- a. Full wage for the first 15 days
- b. Half wage for the next 30 days
- c. Any following period will be without wage

Compassionate leave

Five days in the event of the death of an employee's husband or wife, and three days in the event of the death of an employee's mother, father, son, brother, sister, grandson, grandfather, or grandmother.

Parental leave

Five days (for both male and female employees) which must be utilized within six months of the child's birth.

Study leave

Ten days per year, for an employee (with more than two years' service) who is affiliated or regularly studying with an approved UAE education institution, to sit exams.

4. Payroll requirements

Payroll requirements are governed by the UAE Labor Law. There is no specific guidance for pay slips, however, in practice, pay slips are released to employees monthly.

5. Banking requirements related to payroll

There are no existing banking restrictions regarding currency or transfer in case of Free Zone entities. Wage Protection System (WPS) compliance is mandatory for mainland entities.

WPS

WPS is a mandatory requirement in the UAE for businesses registered under the MOHRE. These registered companies must adhere to this system as their mode of salary payment. The employer must transfer salary payments via WPS within two weeks of their due date, or on the dates specified in the work contract if such salary or wages are paid more frequently than monthly. It is mandatory to have a local bank account and the salary payment to be made in UAE dirham. WPS is only applicable to mainland entities registered within MOHRE in UAE. This does not apply to Free Zones, except for the Jebel Ali Free Zone and the Dubai Multi Commodities Centre.

United Kingdom

U



1. Government requirements

Registration requirements

Registration for Pay-As-You-Earn (PAYE)

Employers wanting to operate a payroll in the UK will normally have to operate a PAYE scheme. PAYE is a His Majesty's Revenue and Customs' (HMRC) system to collect and record all Income Tax and National Insurance from employment earnings. In general, you will need to register as an employer with HMRC when you start employing staff or using subcontractors for construction work. You must register even if you're only employing yourself, an example of this is if you are the only Director of a limited company. Before registering for PAYE, an employer first needs to register the entity with Companies House as only a business registered in the UK can register for PAYE.

When registering for PAYE there are two timeline rules that must be followed which indicate when you may register, outlined below:

- a. You must register before the first payday

EY contacts

Saskia Hawkins

T: +44 19 1350 7793

E: shawkins3@uk.ey.com

Tom Graybrook

T: +44 20 3523 4213

E: thomas.graybrook@uk.ey.com

UKI Global Mobility Services

Alison Ashcroft

T: +44 161 333 2786

E: aashcroft@uk.ey.com



- b. However, you cannot register more than two months before you start paying people

This means you only have a short window in which you must be registered with HMRC as operating a PAYE Scheme.

Links:

Companies House - GOV.UK (www.gov.uk)

Register as an employer - GOV.UK (www.gov.uk)

Registration can be completed online if the company has UK directors or partners who hold National Insurance numbers. If this isn't the case, registration is still possible but will need to be done directly with HMRC via telephone.

Once the registration application is completed, it can take up to 10 working days for HMRC to generate the Account and PAYE reference numbers which are required to link your payroll monthly submission to your HMRC account.

It is possible to run the payroll calculations without the reference numbers being in place, however no liabilities should be paid to HMRC, and no electronic filing can be done until they are received.

Ongoing compliance requirements

As a UK employer with a registered PAYE scheme, there are monthly compliance requirements that must be followed.

Full Payment Submission (FPS)

The FPS is an electronic submission to HMRC that is required every pay period, be it weekly, fortnightly, monthly, or annually. The FPS submission must be sent to HMRC on or before every pay day. HMRC uses this data to update employee and company accounts. Failure to submit the FPS on time can lead to HMRC penalties.



Information reported via FPS:

- ▶ Employee PAYE details (such as pay date, gross pay, tax due, tax code and other statutory deductions)
- ▶ Employee personal data (such as address, employment start/end date, sex, age, etc.)

Employment Payment Summary (EPS)

The EPS is another electronic submission, however unlike the FPS, the EPS is a monthly submission due on the 19th of the following month regardless of the payroll frequency. The EPS submission is used by HMRC to understand any recoverable statutory payments with the current tax year as well as any other company specific allowances or addition cost relating to the PAYE scheme.

Information reported via EPS:

- ▶ To declare the recovery and compensation of statutory payments (maternity/paternity pay, etc. Please note statutory sick pay is not included as its not recoverable.)
- ▶ To declare CIS (construction industry scheme) deductions suffered
- ▶ To declare employment allowance
- ▶ To declare apprenticeship levy charges
- ▶ To declare a period of nil pay
- ▶ To Inform HMRC if the PAYE scheme is to be closed

Like the FPS, these filings are mandatory, and penalties may be due for failure to comply.

Remittances

Every month, employers must pay HMRC the tax and National Insurance (and any other deductions) the employer owes as reported on its FPS and EPS from the previous month. Payment to HMRC is due by the 22nd of the following month or by the 19th if paying by check. Late payment to HMRC will result in penalties with interest accruing until the penalties are cleared. Employers have the option to pay HMRC quarterly if the employer usually pays less than GBP1,500 per month.

Points of interest:

- ▶ UK tax year runs from 6th April to 5th April
- ▶ UK tax month runs from the 5th to the 6th
- ▶ When paying HMRC it's important to include your accounts reference number so payments are allocated correctly

2. Pension requirements

Registrations requirements

Under the Pensions Act 2008, every employer in the UK must put certain staff into a workplace pension scheme and contribute toward it. This is called "automatic enrolment". If an employer employs at least one person, it is an employer and it has certain legal duties.

An employer must automatically enroll employees into a pension scheme and make contributions to the pension if all of the following apply:

- ▶ Employee is classed as a "worker"
- ▶ Employee is aged between 22 and State Pension age
- ▶ Employee earns at least GBP10,000 per year
- ▶ Employee usually ("ordinarily") works in the UK (detailed guidance available here - <https://www.thepensionsregulator.gov.uk/en/document-library/automatic-enrolment-detailed-guidance>)

Employees can opt out of the pensions scheme after being enrolled if they choose to do so.

Ongoing compliance requirements

An employer must comply with ongoing requirements which can differ based on staging dates and pension schemes. These include making deductions for each pay period. Furthermore, the employer must review any pension opt-outs and pension re-enrollments. Additional Voluntary Contributions (AVCs) must also be assessed to guarantee that payments are made to the pension schemes accordingly.

It is important to note that from your staging date, an employer is required to complete a re-enrollment exercise every three years and file a declaration of compliance with the pensions regulator.

3. Employment obligations

Certain statutory obligations are in place around payment due when an employee is on maternity leave, paternity leave, sick leave, adoption leave or shared parental leave. These areas are complex and will depend on the employees' circumstances. All employees have an employment contract with their employer. An employment contract is an agreement that sets out an employee's employment conditions, rights, responsibilities and duties.

These are called the "terms of the contract". Employees and employers must stick to a contract until it ends (for example, by an employer or employee giving notice or an employee being dismissed) or until the terms are changed (usually by agreement between the employee and employer).

4. Payroll requirements

Pay slips

An employer is required to provide a pay slip on or before the payment date showing the gross pay and deductions to each employee and the hours worked if the employees pay varies depending on time worked.

P45

An employer is required to provide a leaver's statement form P45 to employees who have left during the tax year.

P60

At the end of the tax year, an employer must provide, by 31 May, an end-of-year statement, form P60, to each employee who was in employment with them on 5 April.

Any employees who left prior to 5 April will receive a P45 and are not entitled to a P60.

P11ds

Employers must submit an end-of-year P11d form to HMRC for each employee who has been provided with expenses or benefits in the tax year ending 5 April. This report is due by 6 July. Employers must also complete a P11d(b) form to report any Class 1A National Insurance due to be paid.

This payment is due by 22 July if paid electronically (19 July if paying by check). Penalties may occur if the above deadlines are not met.

Payrolling benefits and expenses

From 6 April 2016, HMRC introduced the option for employers to payroll benefits in kind (PBIK) which allows HMRC to collect tax on these benefits within the financial year, and this means these benefits no longer need to be reported on a P11D form. However, there are some benefits that cannot be reported via this new process, being vouchers and credit cards, living accommodation, and interest free and low interest (beneficial) loans.

If an employer intends to payroll benefits and expenses, it must register them with HMRC using the payroll employees taxable benefits and expenses service (<https://www.gov.uk/guidance/paying-your-employees-expenses-and-benefits-through-your-payroll>). The employer must do this before the start of the tax year.

The employer is required to calculate and collect the PAYE due on the benefit in kind (BIK) by calculating the cash equivalent of the benefit and dividing this by the number of payments that will be made to the employee during the financial year. The payment is to be processed via payroll for tax purposes only.

Although P11Ds are no longer required when payroll the benefits, a P11D(b) will still have to be submitted to account for the class 1A payable.

If the employer misses the registration deadline, it cannot payroll benefits until the following tax year. Each new benefit or change to a benefit must follow the same process. Employers can therefore have some benefits which they provide via payroll and some which require a P11D.

National Living Wage

Like many jurisdictions, the UK has Nation Minimum Wage (NMW) regulations which depend on the age of the employee and if they are an apprentice.

The NMW is the minimum pay per hour almost all workers are entitled to. The National Living Wage is higher than the NMW - workers receive it if they are over 23 (2023/24 Tax year) and over 21 from (2024/2025 Tax year).

Alongside the Autumn Statement released on 22 November 2023, the UK government confirmed the approval of the Low Pay Commission recommendation for the uplifting of minimum pay rates within the United Kingdom - these new minimum rates will come into effect from 1 April 2024. Link below to new rates.

National Minimum Wage and National Living Wage rates - GOV.UK (www.gov.uk)

These rates are applicable to all employers regardless of size, HMRC officers have the right to carry out checks at any time and ask to see payment records to access and ensure you are complaint with the new rates.

If HMRC finds that an employer has not been paying the correct rates, any arrears have to be paid back immediately. There will also be a fine and offenders might be named by the government.

It is the employer's responsibility to keep records proving that they are paying the minimum wage - most employers use their payroll records as proof. Employers need to keep all records created for six years.

Employment allowance

The employment allowance enables most private sector employers to reduce their class 1 (employers' National Insurance) contributions by up to GBP5,000 over the financial year. In summary, if an employer employs staff that earn over the National Insurance threshold the employers' Class 1 National Insurance liabilities were less than GBP100,000 in the previous tax year, the employment allowance may be available.

Apprenticeship levy

Apprenticeship levy is an amount paid at a rate of 0.5% of an employer's annual pay bill. An employer has to pay apprenticeship levy each month if it:

- ▶ Has an annual pay bill of more than GBP3 million
- ▶ Is connected to any companies or charities for employment allowance purposes and has a combined annual pay bill of more than GBP3 million. Detailed information is available here - <https://www.gov.uk/government/publications/employment-allowance-more-detailed-guidance>

The rules for connected companies are the same for apprenticeship levy and employment allowance (<https://www.gov.uk/claim-employment-allowance>). The annual apprenticeship levy allowance is GBP15,000. The employer must report and pay apprenticeship levy monthly through its EPS.

Liabilities to HMRC can be made from a UK or an overseas bank account. If payments are made from an overseas bank account, the charges should be accepted by the remitting bank so that the payments received by HMRC are not reduced by charges or exchange rate differences. Any differences will result in interest charges being levied on underpayments.

5. Banking requirements related to payroll

Payroll net payments can be made by any method and from either a UK or overseas bank account.

United States

U



1. Government requirements

Registration requirements

Federal registration

All US employers must obtain a federal employer identification number (EIN) from the Internal Revenue Service (IRS). To apply for an EIN, US employers must complete Form SS-4, *Application for EIN*. The Form SS-4 must list an individual with a US Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN) as the party personally liable for unpaid federal employment tax obligations.

State and local registration

When doing business in the US, employers must register in every state where they pay wages subject to a wage tax except nine non-income taxing states: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming. Thus, registration is required in each state where state unemployment insurance (SUI) taxes are paid and, in each state, where income tax is withheld. In many states, employers must register separately for SUI and income tax withholding. Registration is also required for each locality where the employer is required to withhold or pay taxes. State and local registration forms can be complex, and the failure to properly complete them can result in costly assessments. Businesses frequently seek assistance from their tax advisors to complete the registration process.

Ongoing compliance requirements

Tax payments and reporting

Federal

Employers are required to make the payments of federal wage taxes, according to the IRS payment schedules and to file the related employment tax returns.

► **Form 941, *Employer's Quarterly Federal Tax Return***

Employer and employee Federal Insurance Contributions Act (FICA) contributions and Federal Income Tax Withholding (FITW) are reported with the taxable wage amounts on Form 941. The Form 941 is filed at the end of the month, following the close of the calendar quarter (due dates are 30 April, 31 July, 31 October and 31 January).

► **Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return***

The due date for filing Form 940 is 31 January, following the close of the calendar year. However, if all the FUTA tax liabilities are deposited when they were due, then it may be filed by 10 February. Cumulative liabilities of more than USD500, at the end of the first three calendar quarters, must be paid to the IRS within 30 days following the end of the calendar quarter (due 30 April, 31 July, and 31 October), with the total unpaid balance to be paid at the end of the fourth quarter (31 December), due by 31 January.

► **Form W-2, *Wage and Tax Statement***

Employers must file Form(s) W-2 if they have one or more employees to whom they made payments for the employees' services in their trade or business. Employers are required to report federal income taxable wages and tax (FIT) and FICA wages and taxes withheld on the Form(s). Copies B, C, and 2 must be

EY contact

Murli Shah
T: +1 732 516 5126
E: murli.shah@ey.com

furnished to employee(s) by 31 January, following the close of the calendar year. Additionally, Copy A together with Form W-3, Transmittal of Wage and Tax Statements are filed with the Social Security Administration (SSA) by 31 January, following the close of the calendar year.

► **Form W-3, Transmittal of Wage and Tax Statements**

Tax Form W-3 is a transmittal of Forms W-2, which is forwarded to the SSA, showing the total earnings, Medicare wages, Social Security wages, and withholding for all employees, encompassing the entire year.

State and local

All states impose an income tax and an income tax withholding requirement, except for Alaska (AK), Florida (FL), Nevada (NV), New Hampshire (NH), South Dakota (SD), Tennessee (TN), Texas (TX), Washington (WA) and Wyoming (WY). Local payroll taxes for county, city and school districts are also imposed for localities within the states including, but not limited to, Alabama (AL), California (CA), Colorado (CO), Delaware (DE), Indiana (IN), Iowa (IA), Kansas (KS), Kentucky (KY), Maryland (MD), Michigan (MI), Missouri (MO), New Jersey (NJ), New York (NY), Ohio (OH), Oregon (OR), Pennsylvania (PA) and West Virginia (WV). Withholding allowance certificates are required by some of these local taxing authorities, and each state or locality imposes its own tax payment schedule. Periodic returns of income tax withholding are also required with varying due dates, and most require that an annual state or local Form W-2 be provided to employees and filed with the taxing authority.

SUI (State Unemployment Insurance)

Under federal law, all states are required to have a SUI system. Generally, the SUI system trust funds are largely financed by employer contributions (except in Alaska, New Jersey, and Pennsylvania, where employees also make contributions). Most states require employers to file SUI tax and wage reports and remit SUI taxes quarterly, by the end of the month, following the close of the quarter (due dates are 30 April, 31 July, 31 October, and 31 January).

Note that an exception applies to Illinois, where wage reports are filed monthly (but the SUI returns are due quarterly).

New hire reporting

All employers are required to report any new employee to a designated state new hire registry. A new employee is an employee who has not previously been employed by his or her employer or was previously employed by his or her employer but has been separated from such prior employment for at least 60 consecutive days. New hire reporting is used to enforce family support obligations and to prevent fraud in the filing of unemployment insurance claims.

2. Pension requirements

Social security is part of the retirement plan for almost every American worker. It provides replacement income for qualified retirees and their families.

Social security replaces a percentage of a worker's preretirement income based on their lifetime earnings. The portion of an employee's preretirement wages that social security replaces is based on the employee's highest 35 years of earnings and varies, depending on how much the employee earns and when the employee chooses to start benefits.

There is no separate filing requirement. It is a part of the quarterly and annual filing requirement as mentioned above.

FICA

For 2024, employers and employees pay social security tax at 6.2% each of covered wages up to USD168,600 for the year. Employers and employees pay Medicare tax at 1.45% each of all covered wages, with no wage base limit. Employees pay additional Medicare tax of 0.9% on all wages in excess of USD200,000. In general, if employers pay wages to nonresident alien employees, employers must withhold FICA taxes as they would for a US citizen or resident alien. However, certain exceptions apply to this general rule such as via the totalization agreements, which with many countries eliminate this dual social security coverage and taxation. Other exceptions may also apply to certain US visa holders.

3. Employment obligations

US businesses must comply with federal, state and local labor laws. These laws govern work conditions, minimum wages, hours of work, the frequency and manner of making wage payments, meals and rest periods, and the requirement for certain benefits, such as paid and unpaid leave. Federal labor requirements are enforced by the U.S. Department of Labor, state labor laws are enforced by state labor departments, and local laws are generally enforced by the city mayor or a county agency.

Following are some of the labor laws that apply:

- **Workers' compensation insurance:** Most states require that employers carry workers' compensation insurance that provides coverage for medical expenses and disability for work-related injuries and illnesses. Except in monopolistic states, where the workers' compensation insurance is provided only through a state fund, employers generally purchase this insurance through private carriers.

- ▶ **Health insurance coverage:** There is no federal labor requirement to provide health insurance to employees. However, under the Affordable Care Act (ACA), large employers are subject to a monetary penalty from the IRS for failure to provide a minimum level of health insurance coverage to employees. The penalty provisions apply to an employer with 50 or more full-time employees or full-time equivalents.
- ▶ **Minimum wage:** The federal minimum wage is USD7.25 per hour for workers covered by the FLSA, *Fair Labor Standard Act*. States and localities may require paying a higher hourly minimum wage.
- ▶ **Overtime pay:** Under the FLSA, nonexempt employees must generally be paid 1.5 times the regular rate of pay for all hours actually worked, over 40 hours per week. An exemption from the overtime pay requirement applies to certain categories of employees (e.g., executive, administrative and professional), provided the requirements are met. Some states and localities may require overtime pay for exceeding a daily hour threshold and, in some instances, may require an overtime rate of two times the regular rate of pay.
- ▶ **Paid time off:** There is no requirement for paid time off under federal law. Hence, there is no requirement to pay employees for the time off they take for sick leave, holiday or vacation. Numerous states and localities do impose paid time off for illness and other purposes.
- ▶ **Unpaid leave:** The federal Family and Medical Leave Act (FMLA) entitles eligible employees of covered employers to take unpaid, job-protected leave for specified family and medical reasons, with continuation of group health insurance coverage under the same terms and conditions as if the employee had not taken leave.

Most states impose requirements similar to the FMLA. Some states and localities also require unpaid leave for jury duty, voting, surgery for certain organ donors, and for other purposes.

FUTA (Federal Unemployment Tax Act)

For each covered employee, employers pay 6% of covered wages up to USD7,000 for the year. A maximum credit of up to 5.4% applies, making the net FUTA tax rate 0.6% for most employers that pay their state unemployment insurance taxes on time and for the full amount. Exemptions from FUTA apply to public sector employers, nonprofit organizations and certain US visa holders.

4. Payroll requirements

Method of payment: In general, wages must be paid by cash or check. Most states permit payment by direct deposit or by debit card, but only with the written consent of employees and only if the employees are not subject to a fee to withdraw their pay.

Frequency of wage payments: Most states regulate the frequency at which employees must be paid. For instance, some states require that hourly employees be paid no less frequently than every two weeks.

Pay statements: Many states have specific requirements for the information that must be provided to employees each payday, including regular hours, regular pay, overtime hours and overtime pay.

Garnishment: An employer is responsible for executing garnishment orders and must deduct amounts from an employee's pay every period and transmit the funds to applicable agencies.

5. Banking requirements related to payroll

This section is not applicable to the US.



1. Government requirements

Registration requirements

Social security

In accordance with the Social Security Law governed under the Venezuelan Institute of Social Security (IVSS), the employer needs to register for social security by first making an application to the IVSS and establish a direct communication channel (usually an email address) between the company and the IVSS.

The employer will then receive an email with an application number in order to complete the application process through the social security website. Once this process has been completed successfully, the system will provide the option to print the registration certificate. The registration certificate, along with the required documents listed on the social security website, should be taken to the administrative office.

Additionally, the employer must submit the necessary requirements, and only after an IVSS employee has verified the originality and authenticity of the data submitted the application can proceed for approval.

Once approved, the system automatically generates the access and sends it via email to the employer who can then access the system using these credentials.

The registration is required for all established companies.

Housing policy contribution

Housing policy contribution is governed by the Law of Housing and Habitat Regime under the National Housing and Habitat Bank (Banavih).

The entity should pre-register through the National Housing and Habitat Bank (Banavih) website using the Tax ID number of the entity to be registered. Once the pre-registration is complete, Banavih will send an email. The following documents should then be submitted to the Banavih office:

- ▶ Copy of Bylaws
- ▶ Copy of the Tax ID
- ▶ Copy of the identity card of the legal representative

The registration is required for all established companies.

Labor authorities

In accordance with the Organic Labor Law under the Ministry of Popular Power for the Work Process, all established companies need to register with Registro Nacional de Entidades de Trabajo (RNET) via mpppst.gob.ve.

The employer will need to provide the entity information such as legal conformation, Tax ID number and email address (the same used for Tax ID purposes).

After this step, the system sends an email with a verification code that allows the definition of users eligible for registration. Subsequently, the system displays a screen with the data required to proceed with the registration request.

The registration is required for all established companies.

EY contacts

Ruben Zerpa
T: +58 212 9056676
E: ruben.zerpa@ve.ey.com

Melina Millan
T: +58 212 9050600
E: melina.millan.madriz@ey.com

Mariangela Rodriguez
T: +58 212 9050600
E: mariangela.rodriquez.pena@ey.com

National Institute for Socialist Educational Cooperation (INCES)

In accordance with the Law of National Institute for Socialist Educational and Cooperation under the National Institute for Socialist Educational Cooperation (INCES), registration with INCES is required for all companies.

The INCES website generates the registration form of the National Registry of the Contributing (RNA) and the following are required:

- ▶ Original and copy of the Tax ID
- ▶ Original and copy of Bylaws
- ▶ Letter to the INCES on a letterhead with the company stamp, specifying the following information:
 - ▶ Company address
 - ▶ Telephone number
 - ▶ Legal representative or authorized person
 - ▶ Email address
 - ▶ Tax ID number
 - ▶ Social security number
 - ▶ Current status of the company

These requirements must be submitted in a brown folder with a hook.

Ongoing compliance requirements

Social security contribution

Under the Social Security Law, monthly social security contribution is required for all employees registered in the payroll.

Tax rates applicable:

- ▶ Employee contribution: 4% over the normal salary (with a cap of five minimum salaries)
- ▶ Employer contribution: According to the risk established by the SSO institute, it ranges from 9% to 11%.

Contribution must be paid by 16th of each month. Once the payment is canceled, you must enter the website www.ivss.gov.ve and generate the work solvency.

Insured registration (Form 14-02)

Under the Social Security Law, registration is required within the first three days of the employee's ingress or entry.

Worker retirement participation (Form 14-03)

Under the Social Security Law, registration is required within the first three days of the employee's exit.

Unemployment contribution

Under the Law of the Employment Regime, monthly unemployment contribution is required for all employees registered in the payroll.

Tax rates applicable:

- ▶ Employee contribution: 0.5% over the normal salary (with a cap of 10 minimum salaries)
- ▶ Employer contribution: From 2%, according to the risk established by the SSO institute

Contribution must be paid by the 16th of each month. Once the payment is canceled, you must enter the website www.ivss.gov.ve and generate the work solvency.

Housing policy contribution

Under the Housing Policy Law, monthly housing policy contribution is required for all employees registered in the payroll.

Tax rates applicable:

- ▶ Employee contribution: 1% over the total amount received by the employer
- ▶ Employer contribution: 2% over the total amount paid to the employees

The contribution must be paid within the first five business days of each month. Once the payment is canceled, you must enter the website www.faovel.banavivh.gob.ve and generate the work solvency.

Income tax

Under the Income Tax Law, monthly income tax is required for any person who receives an annual remuneration that is higher or greater than one thousand tax units (UT).

Tax rates applicable:

- ▶ This rate will be defined based on the AR-I Form by each employee using the applicable wages, salaries and other remunerations.

INCES

In accordance with the INCES Law, quarterly contribution by the employer is required.

Tax rates applicable:

- ▶ Companies must totalize at the end of the quarter all the payments made to their workers as monthly salaries. Then, the employer will contribute 2% of the previous total.
- ▶ The employer must withhold 0.5% over the profit sharing payments.

The 2% contribution must be paid the first five business days of each month after the end of the quarter, and the 0.5% withholding must be paid the first 10 continuous days after the withholding has been done. Once the payment has been canceled, you must enter the website www.rncp.inces.gob.ve, register the payment and generate the labor solvency.

2. Pension requirements

Registration and compliance requirements

Please refer to the earlier sections mentioned on social security.

3. Employment obligations

The following employment obligations are governed under the Organic Labor Law and Workers.

Minimum wage

This will be the current minimum salary based on 30-days per-month calculation published in the official gazette. Currently, the minimum salary is equivalent to VES130,00, and the Cestaticket (food ticket) is equivalent to VES1,000.

Days off

Employees should be granted two consecutive days of rest every week.

Paternal leave or license

Employees should be granted 14 days of paternal leave.

Maternal license

Employees should be granted six weeks of rest before delivery and 20 weeks of rest after it.

Vacation bonus

Employees should be granted 15 days of vacation bonus plus one additional day per year, with a maximum of 30 days.

Holidays

When a worker completes one year of uninterrupted work for a company, the employee will enjoy a period of 15 working days as paid vacations. Every following year will have an additional day of leave for up to 15 additional working days.

Profit sharing

Companies must distribute among their workers at least 15% of the liquid profits obtained at the end of their annual exercise. For this, liquid benefits shall be understood as the

sum of the taxable net enrichments and those exempted under the Income Tax Law.

This obligation will have a minimum limit, which is the equivalent of 30 days of salary, and a maximum limit, which is the equivalent to the salary of four months.

Severance payment

The employer will deposit to each worker's account the equivalent of 15 days of each quarter as a guarantee of severance payment. This is calculated on the basis of the last salary earned. This right is acquired from the moment the quarter begins.

Additionally, after the first year of service in the company, the employer will deposit to each worker's account - two more days of salary, for each year, accumulative up to 30 additional days of salary.

When the work contract or employment relationship ends, the employer must calculate a severance payment on the basis of 30 days for each year of service or a fraction greater than six months that is calculated with the last salary. After this, the employer must compare the total of this calculation with the calculation made under the guarantee methodology.

If the employment ends before the first three months, the payment to the worker will be five days of wage per month worked.

The severance payment must be made within five days after the conclusion of the contract. If the payment is not fulfilled within five days, it will generate interest at the active rate determined by the Central Bank of Venezuela.

4. Payroll requirements

The employer should provide pay slips on a biweekly or fortnightly basis.

5. Banking requirements related to payroll

Name of payroll requirement: Text file (txt)

Governing legislature or law: Banking method

Details of payroll requirement: The structure is provided by the bank.

Vietnam

V



1. Government requirements

Registration requirements

Tax Department

Tax code registration is compulsory for income paying bodies and individuals having income subject to personal income tax (PIT). Income paying entities are required to register for a tax code within 10 working days from the issuance date of their business registration certificate. This tax code shall be used to declare and pay all kinds of taxes that such entities are subject to, such as Corporate Income Tax, Value Added Tax and PIT. The tax code registration form must be lodged at the tax department where the income paying entity is located. Where an income paying entity pays income to individuals who have not been granted a tax code and authorize the income payer to register tax code for them, that entity must register a tax code for them within 10 working days from the occurrence of tax obligation. Individuals who are subject to direct tax filings must register their individual tax code within 10 working days from when their tax obligations arise.

Family relief

The family relief includes personal relief of VND11 million/month and dependent relief of VND4.4 million/qualified dependent per month upon successful dependent registration. The taxpayer can register the dependents who are nurtured by the taxpayer, including:

- ▶ Children under 18 years old; children who are disabled or unable to work
- ▶ Individuals who have no income or whose income does not exceed the prescribed level, including adult children attending university, college, professional secondary school or vocational training; spouse who is unable to work; parents who have reached the retirement age or are unable to work; others without support that taxpayers must directly nurture

The family relief is applicable to **resident tax payers**.

Dependent relief is subject to availability of required supporting documentations as per regulations.

Social Insurance Department

There are three types of mandatory social security in Vietnam: Social Insurance (SI), Health Insurance (HI) and Unemployment Insurance (UI), which are together referred to as "SHUI". These compulsory insurances are organized by the State. When the employees contribute to compulsory insurances, they are covered under the insurance regime such as sickness, maternity, labor accident and occupational diseases, retirement, survivorship allowance and others. Income paying entities are required to register a Social Insurance code with their local Social Insurance Department.

When a new employee is hired, the company needs to:

- ▶ Register the employee with the Social Insurance Department
- ▶ Obtain a Health Insurance card
- ▶ Obtain a new Social Insurance book (if required)

EY contacts

Robert King

T: +84 28 36297744

E: robert.m.king@vn.ey.com

Huyen Thi Thanh Nguyen

T: +84 24 32116166

E: huyen.thi.nguyen@vn.ey.com

Anh Thi-Kim Ngo

T: +84 28 3629 7780

E: anh.kim.ngo@vn.ey.com

When an employee terminates their employment contract with the company, the company is required to:

- ▶ De-register such employee with the Social Insurance Department
- ▶ Close the employee's Social Insurance book for the SHUI contribution period at the company.

Ongoing compliance requirements

Employer's tax filing and payment

PIT is required to be filed and paid on a monthly or quarterly basis. The employer is required to withhold tax from an employee's income, declare and pay tax to the state budget. Monthly or quarterly PIT payments must be reconciled at the end of each calendar year. The deadline for the monthly filing and payment is by the 20th day of the following month. The deadline for the quarterly filing and payment is by the last day of the first month following the quarter end.

From 1 January 2022, the monthly or quarterly PIT withheld on employment income paid by the head office for employees working at dependent units located in other provinces shall be allocated to those provinces based on the actual PIT withheld for the relevant employee. In case the employees are transferred or rotated among the dependent units, the PIT shall be allocated to the provinces where the employees are working at the salary payment date. The re-allocation of PIT at the finalization stage is not required.

Employer's annual reporting and finalization

An income paying body is responsible for reporting the taxable income paid and PIT withheld during the calendar year in its annual finalization return. In addition, it is also responsible for conducting the finalization on behalf of its

employees provided that their authorization letter. The due date of the annual tax filing and payment is the last day of the third month from the calendar year-end.

Monthly filing and payment of SHUI

When there is a change of SHUI contributions (increase/decrease), SHUI filing to the Social Insurance Department is required. The SHUI filing and payment is on a monthly basis and due by the end of the relevant month.

An income paying entity must also lodge documents relating to the social insurance benefit claims on behalf of their employees whenever required.

Vietnamese employees shall be subject to compulsory SI contributions if they work under a labor contract of indefinite term or term of one month or more with Vietnamese entities. Foreign citizens are subject to compulsory SI contribution if they:

- ▶ Have a work permit, practicing certificate or practicing license issued by the Vietnamese competent authorities
- ▶ Work under labor contracts of indefinite term or a term of one year or more with Vietnamese entities
- ▶ Are of working age
- ▶ Are not internal transferee as defined in Clause 1, Article 3, Decree 152/2020/ND-CP

Both Vietnamese and foreign employees are subject to compulsory HI contribution if they sign a labor contract of an indefinite term or a term of three months or more with Vietnamese entities.

Vietnamese employees shall participate in compulsory UI scheme if they sign a labor contract of indefinite term or term of three months or more with Vietnamese entities while foreign employees are not be subject to UI.

The compulsory social security rates for employers (ERs) and employees (EEs) are as below:

- ▶ For foreigners:

Period	ERs/EEs	SI			HI	Total
		Sickness and maternity fund	Labor accident and occupational disease fund	Retirement and death gratuity fund		
From December 2018 to December 2021	ERs	3.0%	0.5%		3.0%	6.5%
	EEs				1.5%	1.5%
From January 2022	ERs	3.0%	0.5%	14.0%	3.0%	20.5%
	EEs			8.0%	1.5%	9.5%



Salary base for SHUI contribution is the monthly basic salary, allowance and other fixed supplementations. However, the salary base for SI and HI contribution is capped at 20 times of the common minimum wage and the salary base for UI contribution is capped at 20 times of the regional minimum wage.

2. Pension requirements

In Vietnam, the pension scheme is covered under the retirement and death gratuity fund of the SI scheme.

3. Employment obligations

The common minimum wage and regional minimum wage is publicized by the government and subject to change every year. The current monthly common minimum wage is VND1.8 million, effective from 1 July 2023. Depending on the employer's location, the monthly regional minimum wage ranges from VND3.07 million to VND4.42 million effective from 1 January 2020 to 30 June 2022 and increase from VND3.25 million to VND4.68 million from 1 July 2022.



Normal working hours must not exceed eight hours per day and 48 hours per week. The number of overtime working hours must not exceed 50% of the normal working hours per day. If working on a weekly basis, the total normal and overtime working hours must not exceed 12 hours per day. Effective from 1 January 2021, the number of overtime working hours must not exceed 40 hours per month and 200 hours per annum which can be extended to 300 hours in certain special cases subject to the notification to the competent authorities. From 1 January 2022, the employers can arrange overtime work up to 300 hours per annum provided that the employers can get employees' agreement on such arrangement. From 1 April 2022 to 31 December 2022, if the employer arranges for the working overtime up to 300 hours per year, the overtime work per month can be more than 40 hours but not exceed 60 hours.

There are several kinds of required breaks, such as breaks during working hours, breaks between shifts, and weekly breaks.

An employee who has been working for an employer for a full 12 months is entitled to a minimum of 12 fully paid annual leave days per year under normal working conditions. The annual leave of an employee increases by one day for every five working years for an employer.

An employee may take fully paid leave for personal reasons in the following cases:

- ▶ Marriage: three days.
- ▶ Marriage of his or her child: one day.
- ▶ Death of parents or parents in-law, spouse or child: three days. From 1 January 2021, the employee shall also be entitled to three days off in case of death of his or her adoptive parents.

There are 11 public holidays: one day for New Year's Day, Reunification Day, Labor Day, two days for Independence Day (from 1 January 2021), Hung Kings Commemoration Day; five days for Lunar New Year. Foreign employees are entitled to an additional day off for their traditional new year and a day off for their home country's Independence Day. If a public holiday falls on a weekend, the employees shall be entitled to take compensation leave on the following workday.

Increase in the retirement age

From 1 January 2021, the retirement ages of employees under ordinary working conditions are 60 years 3 months for male employees and 55 years 4 months for female employees. The retirement age increases by three months/each successive year for male employees until it reaches 62 in 2028 and by four months/each successive year for female employees until it reaches 60 in 2035.

In accordance with the regulations, employees who terminate the employment contract with the company will be paid the final payment (if any) within 14 days from the date of termination. Extension to within 30 days is only allowed in certain cases regulated by laws. In case of timeline non-compliance, penalties shall be imposed to the employers.

4. Payroll requirements

An employee must be paid a full wage in a direct and timely manner. In some special cases in which the employer is unable to pay wages on time, the employer shall not be allowed to postpone the payment for more than one month and shall pay the employee with interest which is not lower than the deposit interest rate announced by the State Bank of Vietnam at the time of wage payment.

From 1 January 2021, an employer is required to provide an employee with monthly pay slips detailing income and deduction items.

In accordance with the regulations, employees who terminate the employment contract with the company will be paid the final payment (if any) within 14 days from the date of termination. Extension to within 30 days is only allowed in certain cases regulated by laws. In case of timeline non-compliance, penalties shall be imposed to the employers.

5. Banking requirements related to payroll

Wages may be paid in cash or to the employee's personal bank account.

Before 31 December 2020, where a wage is paid to a bank account, the employer shall negotiate with the employee on any fees related to the opening and maintenance of the bank account, for the period from 31 December 2020 backwards. From 1 January 2021, such fees must be borne by the employer. Where the wage is paid in cash, the employer and employee should sign a record to confirm the amount of money that has been paid each pay period.



1. Government requirements

Registration requirements

Pay-As-You-Earn (PAYE)

When an employer enters Zambia and employs people, the employer must register with the Zambia Revenue Authority (ZRA) for PAYE withholding within 30 days. If the employer has already obtained a Taxpayer Identification Number (TPIN), the employer can register for PAYE withholding by amending the registration online. If the business does not have a TPIN and requires one, application for TPIN and PAYE withholding can be carried out at the same time.

Workers' Compensation Fund

The Workers' Compensation Fund is a fund that was established by the government to ensure that businesses are covered for the cost that might follow a workplace-related injury or disease. These costs can include weekly and lump-sum payments, medical, hospital and rehabilitation expenses, and return-to-work costs. Businesses must contribute to the Workers' Compensation Fund if they employ people. The contribution to the fund is made once every year. This is an employer contribution and is based on assessment.

Ongoing compliance requirements

Monthly individual PAYE withholding obligation

The employer is obliged to withhold the PAYE from the employee's payroll on a monthly basis and settle the PAYE on behalf of the employee. The employer should file the employer's return to the ZRA and settle the PAYE payable before the 12th of the following month.

The salaries and wages received by the employee are subject to PAYE at four grades of progressive tax rates ranging from 0% to 37.5%. The requirements are governed by the Income Tax Act and the PAYE regulation.

Current regime		2024 PAYE	
Income band	Tax rate	Income band	Tax rate
ZMW0-ZMW4,800 per month	0%	ZMW0-ZMW5,100 per month	0%
ZMW4,801-ZMW6,800 per month	20%	ZMW5,101-ZMW7,100 per month	20%
ZMW6,801-ZMW8,900 per month	30%	ZMW7,701-ZMW9,200 per month	30%
Above ZMW8,900	37.5%	Above ZMW9,200	37%

Social security monthly contribution

Social security is governed under the the National Pension Scheme Authority (NPSA) Act.

The National Pension Scheme is contributory, meaning that employees covered by the scheme are supposed to make monthly contributions through their employers in order to garner rights that entitle them to benefits provided by the scheme.

EY contacts

Patrick Mawire
T: +260 211 378300
E: patrick.mawire@zm.ey.com

Sam Kabanga
T: +260 211 378300
E: sam.kabanga@zm.ey.com

Christabel Kalala
T: +260 971 993 544
E: christabel.kalala@zm.ey.com

Presently, the monthly contribution rate is pegged at 10% of an employee's gross monthly earnings, subject to the prevailing contribution ceiling in the calendar year in which the employee earns the income. The contribution ceiling is revised annually and the revision takes effect from January of each year.

The following constitute gross earnings for NPSA purposes:

- ▶ Basic salary
- ▶ Leave pay
- ▶ Commuted leave days
- ▶ Overtime
- ▶ Bonus
- ▶ All allowances (house, transport, uniform, etc.)

The employer should file the employer's return to the NPSA and settle the social security or pension payable before the 10th of the following month.

2. Pension requirements

Registration requirements

National Pension Scheme Authority (NPSA)

Membership of the scheme is compulsory for all employed persons. This, however, means that membership of the scheme covers all categories of employment for as long as a contract of service between the employer and the employee exists. It should further be clarified that a contract of service can be written or verbal. Therefore, every individual, association, institution or firm with a written or verbal employer or employee contract of service is required to register with the NPSA. The NPSA registration is required as long as there exists an employer/employee relationship (except an employee is referred to as a member).

Ongoing compliance requirements

NPSA contribution

NPSA is a mandatory pension scheme for all employees. All employers in Zambia are required to contribute a certain minimum amount toward pension support for their workers. The pension contributions made by employers on behalf of employees are generally tax deductible, except for any penalties imposed due to employers not contributing or for delays in contributing. The NPSA contribution rate is 10% of an employee's salary per month. This is shared between the employee and employer, where the employer pays half of the total contribution and the employee the other half. The pension contribution must be remitted every month.

3. Employment obligations

Employment contracts

In accordance with the Employment Act and the Minimum Wages and Conditions of Services Act, the employer and employee should have signed an employment agreement listing the conditions of the employment including, but not limited to, wages (rate of wages, frequency, etc.), wage period, notice period for termination of employment and the details of end-of-year payment, if eligible.

Minimum wage

Under the Act, employees' average wages in a wage period must not be less than the statutory minimum wages, i.e., ZMW13 per hour, regardless of whether or not employees are employed under a continuous contract.

Leave entitlement

An employer shall grant leave of absence on full pay to an employee at the rate of two days per month, subject to, and in accordance with the following conditions:

- a. Except on termination of the employee's service, an employee shall be entitled to leave only on the completion of six months' continuous service with that employer.
- b. Paid public holidays and Sundays shall not be included when computing such periods of leave.
- c. The employer shall have the right to give reasonable consideration to the circumstances and interests of the business in agreeing to the dates when such leave may be taken.

National Health Insurance Scheme

A citizen or established resident who is above 18 years shall be registered as a member of the Scheme in the prescribed manner and form. A foreigner who enters the Republic without valid health insurance shall register and pay for health insurance with a health insurer on arrival in the Republic, in the prescribed manner and form.

An employer shall pay to the Scheme an employee's contribution consisting of the employer's contribution and the employee's contribution at a prescribed percentage. The employer shall pay contributions to the Scheme at the end of each month.

A member and a family member shall access the benefits package under the Scheme as prescribed. Insured health care services, in whole or in part, shall be provided at national, provincial and district levels, as prescribed.

The National Health Insurance Fund is established for the purpose of the Scheme. The Fund shall be held and applied for the purposes of:

- a. Paying for the cost of insured health care services accessed by members of the Scheme.
- b. Paying administrative and management expenses.
- c. Programs for the promotion of access to insured health care services that the Minister may, in consultation with the Authority, determine.

An employer shall register an employee with the Authority within 30 days of the commencement date of the contract of employment in the prescribed manner and form.

Contribution rates:

Category	Payment mechanism	Rate	Frequency	Deadline
Employee	Payroll-based deduction	1% of basic salary	Monthly	10th of the following month
Employer	Payroll-based deduction	1% of basic salary	Monthly	10th of the following month

4. Payroll requirements

When an employee is paid depends on the industry they are in. Employees must be paid at least monthly. An agreement or employment contract will set out when employees must be paid.

All employees must be provided with pay slips within one working day of the payday. Pay slips can be provided either in electronic or hardcopy form. Both must contain the same information.

All salary and wage income is taxable in the financial year in which it is actually received, regardless of when it was earned. Tax should be withheld at the time when the payment is due to the employee.

5. Banking requirements related to payroll

Payroll payments can be paid by one or a combination of:

- ▶ Cash
- ▶ Check, money order or postal order, payable to the employee
- ▶ Electronic funds transfer (EFT) or bank transfer

If paying wages by cash, the employer and employee should sign a record to confirm the amount of money that has been paid during each pay period.

Foreign currencies list

The following list sets forth the names and codes for the currencies of jurisdictions discussed in this book.

Jurisdiction	Currency	Code
Algeria	Algerian Dinar	DZD
Angola	Angolan kwanza	AOA
Argentina	Argentine Peso	ARS
Armenia	Dram	AMD
Aruba	Aruban Florin	AWG
Australia	Australian Dollar	AUD
Austria	Euro	EUR
Azerbaijan	Manat	AZN
Bahrain	Bahraini Dinar	BHD
Belgium	Euro	EUR
Brazil	Brazilian Real	BRL
Cambodia	Cambodian Riel	KHR
Canada	Canadian Dollar	CAD
Chile	Chilean Peso	CLP
China Mainland	Chinese Yuan	CNY
Colombia	Colombian Peso	COP
Costa Rica	Costa Rican Colón	CRC
Croatia	Croatian kuna	HRK
Cyprus	Euro	EUR
Czech Republic	Koruna	CZK
Denmark	Krone	DKK

Foreign currencies list (continued)

Jurisdiction	Currency	Code
Dominican Republic	Dominican Peso	DOP
Ecuador	United States Dollar	USD
Egypt	Pound	EGP
El Salvador	Salvadoran Colón	SVC
Estonia	Euro	EUR
Finland	Euro	EUR
France	Euro	EUR
Georgia	Lari	GEL
Germany	Euro	EUR
Guatemala	Guatemalan Quetzal	GTQ
Guyana	Dollar	GYD
Honduras	Honduran Lempira	HNL
Hong Kong	Hong Kong Dollar	HKD
Hungary	Hungarian forint	HUF
India	Rupee	INR
Indonesia	Indonesian Rupiah	IDR
Iran	Iranian Rial	IRR
Iraq	Dinar	IQD
Ireland	Euro	EUR
Italy	Euro	EUR
Jamaica	Jamaican Dollar	JMD
Japan	Japanese Yen	JPY
Jordan	Dinar	JOD

Jurisdiction	Currency	Code
Kazakhstan	Tenge	KZT
Kenya	Shilling	KES
Korea	South Korean Won	KRW
Kuwait	Dinar	KWD
Latvia	Euro	EUR
Lebanon	Pound	LBP
Lesotho	Loti	LSL
Libya	Dinar	LYD
Lithuania	Euro	EUR
Luxembourg	Euro	EUR
Malaysia	Malaysian Ringgit	RM
Malta	Euro	EUR
Mexico	Mexican Peso	MXN
Mongolia	Tugrik	MNT
Morocco	Dirham	MAD
Mozambique	Metical	MZN
Myanmar	Myanmar Kyat	MMK
Netherlands	Euro	EUR
New Zealand	New Zealand Dollar	NZD
Nicaragua	Nicaraguan Córdoba	NIO
Nigeria	Naira	NGN
Norway	Krone	NOK
Panama	Panamanian Balboa	PAB

Foreign currencies list (continued)

Jurisdiction	Currency	Code
Peru	Peruvian Sol	PEN
Philippines	Philippine Peso	PHP
Poland	Zloty	PLN
Portugal	Euro	EUR
Qatar	Rial	QAR
Rwanda	Franc	RWF
Saudi Arabia	Riyal	SAR
Singapore	Singapore Dollar	SGD
Slovakia	Euro	EUR
Slovenia	Euro	EUR
South Africa	Rand	ZAR
Spain	Euro	EUR
Sri Lanka	Sri Lankan Rupee	LKR
Suriname	Dollar	SRD
Switzerland	Franc	CHF
Taiwan	New Taiwan Dollar	TWD
Tanzania	Shilling	TZS
Thailand	Thai Baht	THB
Trinidad and Tobago	Dollar	TTD
Türkiye	Turkish lira	TRY
Uganda	Shilling	UGX
Ukraine	Hryvnia	UAH
United Arab Emirates	Dirham	AED

Jurisdiction	Currency	Code
United Kingdom	Pound	GBP
United States	United States Dollar	USD
Venezuela	Venezuelan Bolívar	VES
Vietnam	Vietnamese Dong	VND
Zambia	Kwacha	ZMW

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY Tax Services

Your business will only succeed if you build it on a strong foundation and grow it in a sustainable way. At EY, we believe that managing your tax obligations responsibly and proactively can make a critical difference. Our 50,000 talented tax professionals, in more than 150 countries, give you technical knowledge, business experience, consistency and an unwavering commitment to quality service – wherever you are and whatever tax services you need.

© 2024 EYGM Limited.
All Rights Reserved.

EYG no. 001277-24Gbl

CRS_CP_122120518

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com

Access Global Tax Guides

Read the *Worldwide Doing Payroll Guide* on EY website or on your tablet where it is accompanied by timely, country-specific Global Tax Alerts. You will also find the *Worldwide Corporate Tax Guide*, *Worldwide VAT, GST and Sales Tax Guide* and *Worldwide Personal Tax Guide*, as well as more-specific guides on transfer pricing, estate and inheritance taxes, research and development incentives, oil and gas taxes, and cloud computing taxes.

Global Tax Guides at your fingertips

ey.com/GlobalTaxGuides