

APAC Payroll newsletter

Issue 3/2024

August 2024

forvis mazars

Global payroll services

Managing global payroll across multiple countries can be challenging for many businesses. You may face different payment dates and deadlines, local rules and regulations, types of deductions, frequency of payments, and a variety of reporting requirements. It can also be problematic and inefficient using multiple local providers and hiring specialists in countries to service only a few employees.

How can we help you?

Forvis Mazars offers a comprehensive multi-country payroll outsourcing service that is seamless and efficient. By centralizing your global payroll services with one experienced firm, you retain greater control over the various regulations required to comply with payroll across multiple countries.

For more information, please visit our Global Payroll Services.



Jonathan Fryer
Partner, Outsourcing in Singapore and APAC Outsourcing regional partner



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Australia
Key updates



National Minimum Wage and Modern Award rates increase announced

On 3 June 2024, the Fair Work Commission (FWC) handed down the Annual Wage Review 2023-24 decision.

Our key takeaways from the decision include:

1. The decision provides an increase of 3.75% from the first full pay period after 1 July 2024 to both the national minimum wage and all minimum Modern Award rates.
2. The increase considers inflation, labour productivity, strong labour market, and upcoming tax cuts and budget measures.
3. This increase on top of last year's increase of 5.75% may still cause significant challenges for some employers.
4. Although the increase does not directly apply to employees covered by an Enterprise Bargaining Agreement, Section 206 of the Fair Work Act, 2009 requires that base rates of pay in Enterprise Bargaining Agreements must not fall below the Award base rate of pay. A 3.75% increase in Award rates may well result in some base rates in Enterprise Bargaining agreements falling to below the Award base rate from 1 July 2024. Employers need to be aware of their obligations in this regard and be undertaking assessments now to avoid underpayments from 1 July 2024.
5. The decision to provide a wage increase took into account that labour productivity had not improved over the past four years, only recently returning to positive growth. Despite this, the increase was considered necessary due to ongoing cost-of-living pressures faced by low-paid workers, although the rise remains modest to align with forecast economic conditions and inflation expectations.

The impact of the Fair Work Commission (FWC) wages decision will be different for each employer. However, all employers are encouraged to ensure that they do not inadvertently fall into a situation of underpaying their employees and this includes ensuring ongoing compliance with base rates of pay requirements for Award and Enterprise Bargaining covered employees.

In our experience, many employers are unsure if their employees are covered by a Modern Award. Now is the time to take steps to clarify this situation. Modern Award coverage is not something that an employer can avoid or opt out of. If there is a Modern Award that applies to the employer's industry or to the occupations of its employees, it is highly likely that some, if not all, employees are covered by a Modern Award.

Our HR Consulting division is here to assist employers resolving questions about Modern Award coverage and/or ensuring compliance with minimum obligations for base rates of pay. Of course, Modern Award coverage creates employment obligations for employers other than minimum rates of pay, and therefore understanding if your employees are covered by a Modern Award is imperative and should not be delayed.

Employment regulation changes from 1 July 2024 – Increased capacity for Unions to enter workplaces without notice

From 1 July 2024, the Fair Work Commission is empowered to issue an exemption certificate to a permit holder (Union), allowing them to enter a workplace or business premises without prior notice if they are investigating a suspected contravention in certain circumstances.

These circumstances include:

- The suspected contravention involves the underpayment of wages to a member of the Union who works on the premises, and
- The Commission reasonably believes that advance notice of the entry would hinder an effective investigation.

The exemption to the Union providing prior notice is premised on preventing an employer from amending or otherwise altering, deleting, or concealing evidence of an underpayment.

Importantly, for a Union to rely on this new exemption, they must be able to produce an exemption certificate from the Fair Work Commission permitting access to the workplace or business premises without the usual notice period. If the certificate cannot be produced, access can be denied. It is not sufficient for the Union to assert that they have such a certificate; they must produce the certificate and the certificate must contain the following information:

- The premises to which it relates;
- The organisation to which it relates;
- The day or days on which the entry may occur;
- Particulars of the suspected contravention, or contraventions, to which the entry relates;
- That the entry is authorised under section 481 of the Fair Work Act 2009 (Cth).

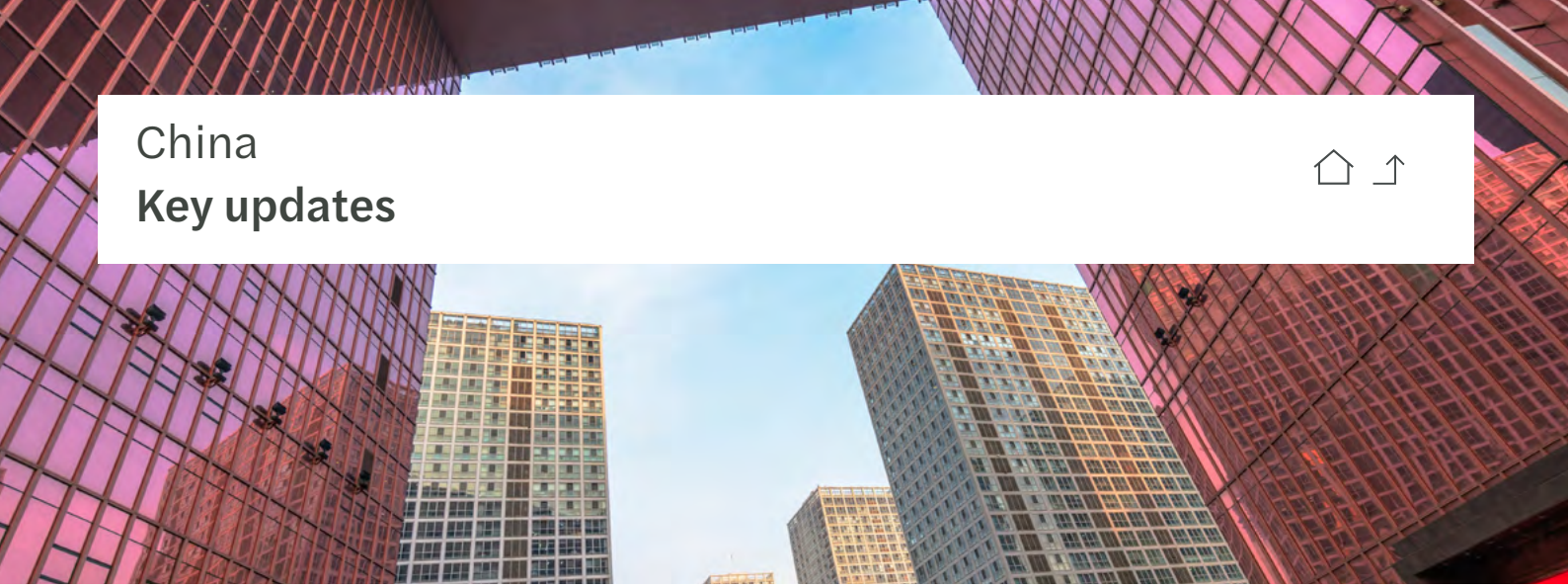
Entry can be denied if the entry is outside of the parameters contained in the exemption certificate, for example, if the particular premises are not identified correctly, or if the date of entry is different to that provided on the exemption certificate.

Employers will not be given prior notice of an application by a Union to the Fair Work Commission for an exemption certificate.

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China
Key updates

Shanghai Unemployment Insurance Stabilization and Return Policy Update

Companies, including foreign invested enterprises, with a layoff rate not exceeding 5.5%, timely and full payment of unemployment insurance premiums, and a good credit record, are eligible for this policy.

Please note that this policy is set to run until 31 December 2024. Based on communication with local authorities, it is suggested to submit the application for return by the end of June.

1. **Return Ratios**

   The policy stipulates that large enterprises will receive a 30% return of the unemployment insurance fees paid by the company and its employees in 2023. For medium, small, and micro enterprises ("SMEs"), the return rate is 60%.

2. **Return Process**

   Companies that meet the criteria will receive a notification via SMS. They can then confirm their bank account details through the self-service platform for social security management.

Action required

Ensure your company's details are updated on the self-service platform and submit the application for the unemployment insurance return by the end of June.

References (in Chinese):

- The official policy on government website
- The classification of large enterprises and SMEs

Update on the new regulations of data transfer relating to personal information in China

Pursuant to the PRC Personal Information Protection Law (PIPL), if a personal information handler needs to transfer personal information outside of China, it shall fulfil at least one of the following prerequisites:

- Perform a self-assessment on the data security of the outbound data transfer and submit it to the Cyberspace Administration for registration and review.
- Obtain certification issued by a specialized agency on the protection of personal information in accordance with the provisions of the Cyberspace Administration.
- Sign a Standard Contract, following the template released by the Cyberspace Administration, with the overseas recipient and submit it for registration.

As the regulatory landscape for data protection in China continues to evolve, the Cyberspace Administration of China (CAC) issued a new regulation, the Provisions on Promoting and Regulating Cross-border Data Flows, on 22 March 2024. This regulation, effective as of 22 March 2024, includes exemptions of the above prerequisites for certain types of data transfers, such as those necessary for the conclusion or performance of contracts to which the data subjects are parties, and transfers for HR management purposes.

Key takeaways for multinational companies on employee personal information management in China

The new provisions provide exemptions for transferring employee personal information, excluding critical data, for implementing HR management according to employment policies

and collective labour contracts. This is particularly relevant for multinational companies managing global workforces and sharing HR data across borders.

1. Compliance with PIPL

   The law emphasizes the importance of obtaining explicit consent from employees for data collection and use.

2. Data Collection Minimization

   Companies should only collect employee information that is necessary for the performance of employment-related activities.

3. Cross-Border Data Transfers

   This may involve conducting security assessments and ensuring that the recipient country has adequate data protection measures in place.

   HR departments should ensure that employees are fully informed of how their data is collected, used, and transferred, and that the separate written consent from the employees is obtained.

4. Record Keeping and Accountability

   Establish a system of accountability for personal information protection compliance.

5. Continuous Compliance Efforts

   Regularly review and update data protection policies and practices to align with evolving legal requirements and technological advancements.

In summary, while the new regulation offers some relief for cross-border data transfers, it also underscores the importance of maintaining robust personal information protection practices. Companies shall ensure that they manage employee personal information in a manner that complies with Chinese laws, put in place sufficient safeguards for personal information, and obtain separate consent letter from each employee when transferring personal information outside of Mainland China.

References (in Chinese):

- Provisions on Promoting and Regulating Cross-border Data Flows, the official regulation issued on 22 March 2024
- Rules of Data Classification, effective from 1 October 2024

Continually implementing comprehensive policies to stabilize employment

To further support the enterprises to stabilize jobs and fully play the role of unemployment insurance, the Ministry of Human Resources and Social Security has announced a comprehensive set of policy measures to continually stabilize employment.

Some of these measures are summarised below.

Rate reduction on unemployment insurance premium continually

The unemployment insurance rate will remain at 1%, with both the employer and employee contributing 0.5% each, continuing the reduced rate from May 2023 to December 2025.

Refund unemployment fund

To provide financial relief and support for job stability,

- For Micro, Small and Medium-sized enterprises, a refund up to 60% of the unemployment fund paid in 2023
- For large enterprises, a refund up to 30% of the unemployment fund paid in 2023

Reference (in Chinese):

- Ministry of Human Resources and Social Security, Ministry of Finance, State Administration of Taxation, Ren She Bu Fai[2024] No.40: Notice on issuing several policy measures in Shanghai to lighten the burden of SMEs

Reminder on the individual income tax for the labour service provided by individual in China

Background on Personal Labour (commonly referred to as Freelancer) Services

The local tax authorities have recently been reconciling personal labour (freelancer) service invoices issued by individuals (freelancers) at the tax authority with the individual income tax declared by enterprises. For example, this includes individual translators, individual project specialists, etc.

For enterprises that did not declare the individual income tax for freelancers, the tax authorities are now requesting these enterprises to complete the tax declaration and payment within a specified time limit.

Local regulations

Taxes

According to local tax laws and regulations, the company shall declare individual income and withhold the Individual Income Tax (IIT) payment for the freelancer in the month following the payment.

Below is the IIT rate applicable to personal labor services.

IIT tax withholding Table II (Applicable to withholding and prepayment of resident's labor services income)		
Taxable income(CNY)	**Rate**	**Quick deduction (CNY)**
< 20,000	20%	0
20,000 – 50,000	30%	2,000
> 50,000	40%	7,000

Invoices (Fapiao)

A gentle reminder: Personal labour services that exceed the Value Added Tax (VAT) threshold are subject to VAT payment. Additionally, freelancers need to visit the tax bureau to apply a fapiao (official invoice) amounting to the gross pay.

Company action steps

Payments made in 2023 and 2024

For payments made during these years, the company should follow these steps:

1. Prepare the explanation letter and tax return forms
2. Proceed with the onsite submission
3. Settle the tax payment

Payments to be made in 2024

The Company will need to declare the tax for the individual freelancer in the month following the settlement of the payment.

1. Provide Information
2. Make the tax calculation
3. Proceed with the net pay and collect the fapiao from the individual
4. Prepare the tax return, submit it to the tax authorities, and make the tax deductions

From an accounting perspective

For the company whose accounting is handled by an external party, please check with your accounting service provider regarding the treatment of individual labour services. Going forward, it is recommended that these services are accrued in the books in a timely manner.

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Launch of eMPF Platform.

The Mandatory Provident Fund Schemes Authority ("MPFA") announced that the eMPF Platform will be launched on 26 June 2024. The platform will automate administrative tasks and reduce costs.

About eMPF Platform

eMPF Platform is an online platform that allows employees, employers and self-employed persons to manage different Mandatory Provident Fund ("MPF") processes including enrolling in MPF schemes, making contributions, consolidating accounts, managing investment portfolios and reviewing investment performance. Following the schemes' onboarding to the platform, the current systems administered by different trustees will be gradually replaced.

For employer

Employer can manage complicated MPF administration processes through a single corporate's MPF account:

- Digitalised employee enrolments
- Real-time notifications on employees' enrolment status
- Prepopulated contribution details and auto-calculation on MPF contributions
- View and download contribution records and submission status
- Contribution reminders
- Standardised remittance statement for contribution data submission
- Diversified payment options to enable efficient and timely contribution payment
- Access right setting across different departments or teams to view application status and manage employees
- View detailed MPF account records e.g. submission date, status or handler for any task performed in the platform
- Provide holistic view of portfolio and performance on multiple MPF accounts under different schemes
- Provide outstanding task summary and notifications

For employees/self-employed persons

Each employee or self-employed person will have only one eMPF account that allows them to view MPF balances and the performance of their schemes under different trustees. Currently, the process of consolidating different MPF accounts may take between two to three weeks. After all MPF schemes are onboarded on the platform, the processing time will be shortened. Finally, eMPF Platform supports online submissions for fund switching, transfer and benefits withdrawal requests. Paper forms and wet signatures will not be required anymore.

For service providers/third parties

Anyone can be granted access the eMPF Assistant Portal and assist with setting up an MPF scheme in an MPF account, enrolling employees, transferring of benefits under Employee Choice Arrangement etc.

Onboarding dates:

The first two MPF trustees to join the platform will be YF Life Trustees and China Life Trustees. The remaining MPF schemes will join the platform based on the value of MPF assets under management by the trustees. All schemes are expected to complete onboarding by the end of 2025. Please find below the onboarding schedule for reference:

MPF Scheme(s)	MPF Trustee	Onboarding Date
1. MASS Mandatory Provident Fund Scheme	YF Life Trustees Limited	26 June 2024
2. China Life MPF Master Trust Scheme	China Life Trustees Limited	29 July 2024
3. BCOM Joyful Retirement MPF Scheme	Bank of Communications Trustee Limited	3 September 2024
4. SHKP MPF Employer Sponsored Scheme	Standard Chartered Trustee (Hong Kong) Limited	2 October 2024
5. BEA (MPF) Value Scheme	Bank of East Asia (Trustees) Limited	29 October 2024
6. BEA (MPF) Industry Scheme BEA (MPF) Master Trust Scheme	Bank of East Asia (Trustees)	Q1/Q2 2025 (Tentative)
7. Principal MPF - Simple Plan, Principal MPF - Smart Plan, Principal MPF Scheme Series 800	Principal Trust Company (Asia) Limited	Q1/Q2 2025 (Tentative)
8. BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme, My Choice Mandatory Provident Fund Scheme	BOCI-Prudential Trustee Limited	Q1/Q2 2025 (Tentative)
9. AMTD MPF Scheme, BCT (MPF) Industry Choice, BCT (MPF) Pro Choice, BCT Strategic MPF Scheme, Manulife RetireChoice (MPF) Scheme	Bank Consortium Trust Company Limited	Q1/Q2 2025 (Tentative)
10. AIA MPF - Prime Value Choice	AIA Company (Trustee) Limited	Q2/Q3 2025 (Tentative)
11. Sun Life Rainbow MPF Scheme	Sun Life Trustee Company Limited	Q2/Q3 2025 (Tentative)
12. Manulife Global Select (MPF) Scheme	Manulife Provident Funds Trust Company Limited	Q3/Q4 2025 (Tentative)
13. Fidelity Retirement Master Trust, Haitong MPF Retirement Fund, Hang Seng Mandatory Provident Fund - SuperTrust Plus, HSBC Mandatory Provident Fund - SuperTrust Plus	HSBC Provident Fund Trustee (Hong Kong) Limited	Q3/Q4 2025 (Tentative)

Transition arrangements

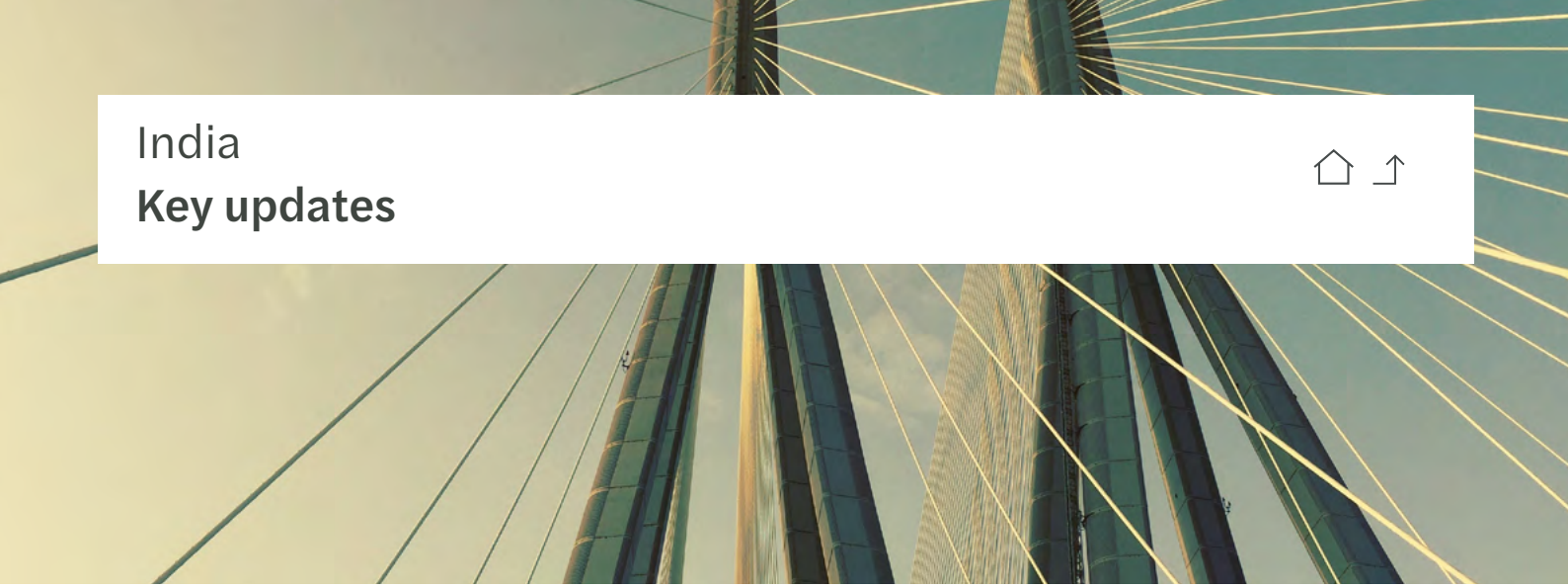
1. MPF trustees will issue a communication pack to employers on how to register for eMPF around two to three months before onboarding to the eMPF. Employers will be provided with an eMPF activation code. The company's key information, including existing employees' information, payroll groups and autopay arrangements, will automatically be transferred to the eMPF from the trustee's system.
2. The payee of the cheque will remain unchanged if an employer continues to pay MPF contributions by cheque during the transition period. However, cheques should be sent to the eMPF Platform Company or placed in the drop-in box at any of its three service centres. It means that employers should not send cheques to the existing MPF trustee.

All administration and contribution arrangements remain the same until the MPF scheme has onboarded to the eMPF. For details, you can visit the eMPF website.

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India
Key updates

No recent regulatory updates in India to report in this edition.

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Indonesia
Key updates

Administration of People's Housing Savings (Tabungan Perumahan Rakyat - Tapera)

On 20 May 2024 our President has announced Government Regulation No. 21 of 2024 on the Amendment of Government Regulation No. 25 of 2020 regarding the Administration of People's Housing Savings (Tabungan Perumahan Rakyat - Tapera). According to these regulations, the administration of Tapera aims to collect and provide sustainable long-term affordable funds for housing financing, in order to meet the need for decent and affordable housing for participants.

Key Highlights of Government Regulation No. 21 of 2024

The fund collection process is carried out through periodic savings by participants over a certain period, with the benefits utilized after their participation ends.

The amount of participant's savings is set at 3% of the employee's salary, with 0.5% borne by the Company and 2.5% borne by the Employee.

Tapera participants' targets are employee include civil servants, private employees, and self-employed individuals (freelancers), with the following criteria:

1. Indonesian or foreign employee who's holding a visa with intention to work in Indonesia for at least 6 (six) months who has made a deposit.
2. Employee who has earning at least the minimum wage are required to participate.
3. Employee must be at least 20 years old or married.

However, there are several circumstances under which Tapera participation ends, meaning employees are no longer needed to make Tapera contributions. These include retirement for employees who have reached the age of 58 and if the participant no longer meets the Tapera eligibility criteria for five consecutive years.

Company must deposit the participants' savings into the Tapera Fund Account no later than the 10th of the following month.

The management of Tapera funds will be carried out by the Tapera Management Agency, which determines the allocation of funds to fertilize, utilize, and ensure that the benefits of the Tapera program can be felt by all the participants.

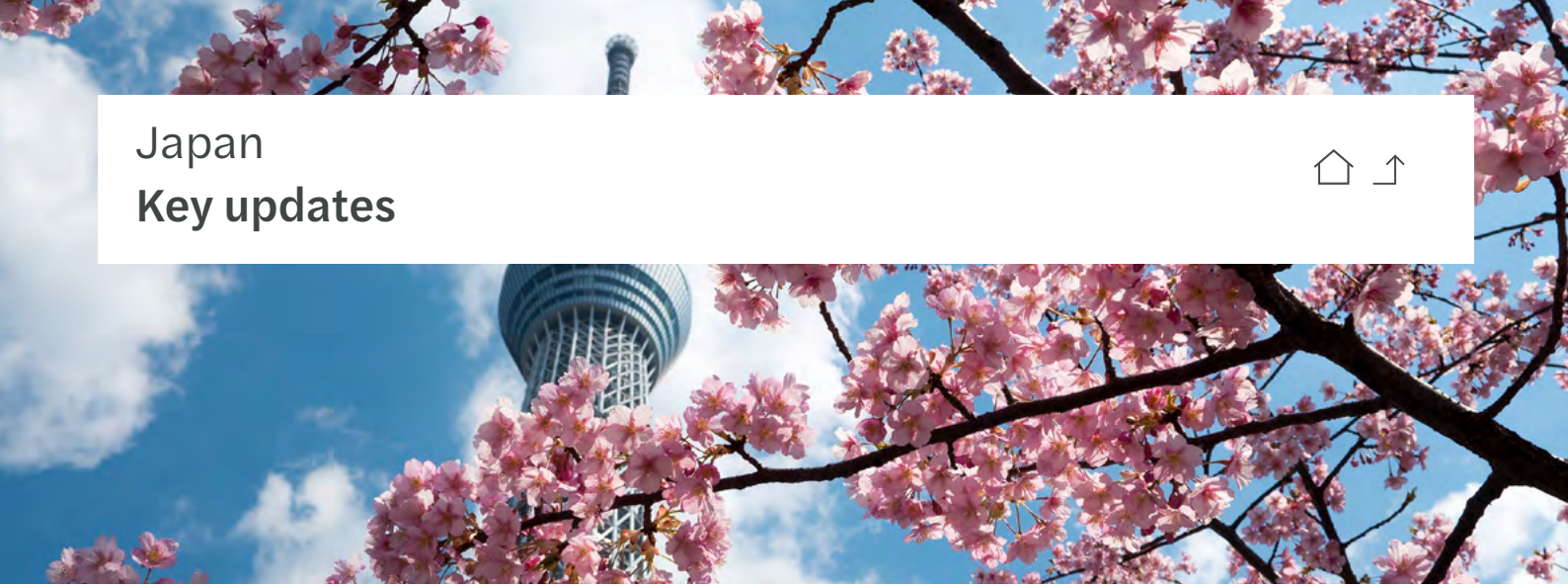
The implementation details are not included in Government Regulation No. 21 of 2024, but it has been explained in Government Regulation No. 25 of 2020. This regulation stated that employees have to be registered with BP Tapera from the effective date of the regulation and no later than seven years from the effective date of GR-25/2020 released, which is 2027.

Reference (in Indonesian):

- Peraturan Pemerintah (PP) Nomor 21 Tahun 2024

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Japan
Key updates

Change in Individual income taxation

Individual income tax will be reduced by JPY 30,000 from June payroll (or at the time of Year-end Tax Adjustment in December).

(Deduction of Dependent spouses and dependent relatives are JPY 30,000 per person)

Eligibility

Your total annual taxable income must be below JPY 18,050,000.

(Taxable income is your annual income after various deductions. If you only have salary income, annual gross salary must be below JPY 20 million)

Expansion of social insurance coverage

The company has more than 50 employees, below employees should be enrolled in the social insurance system.

Eligible employees

- Working more than 20 hours but less than 30 hours per week
- Monthly salary is more than JPY 88,000
- Will be employed more than 2 months
- Nonstudent

Rate		
Up to March 2024	**From April 2024**	**From April 2026**
2.3%	2.5%	2.7%

Discontinuation of the issue of health insurance cards

From 2 December 2024, Health Insurance Associations will no longer issue the health insurance card and My Number Card will be used as Health Insurance Card.

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Korea
Key updates

Adjustment in National Pension base salary (effective from July 2024)

National Pension base salary will be adjusted based on 2023 total salary, as reported for the year-end tax settlement, and the premium will also change accordingly.

Upper/lower limit of National Pension base salary will change as below table.

NP base salary	Jul 2023 ~ Jun 2024	Jul 2024 ~ Jun 2025
Lower limit	KRW 370,000	**KRW 390,000**
Upper limit	KRW 5,900,000	**KRW 6,170,000**

Subject to withholding on all business income (Applicable for payment from July 2024)

All business income (PERSONAL SERVICES) is subject to withholding, even if the amount of withholding is less than KRW 1,000.

As-is	To-be
New	Eligible business income • Business Income from ongoing, recurring activities that qualify as business income (Personal Services)

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Malaysia
Key updates



Extension of Social Security Organisation ("PERKESO") Invalidity Scheme to foreign workers

Under the Employees' Social Security Act 1969 (Act 4), there is an extension of invalidity scheme coverage to foreign workers, including expatriates and foreign domestic workers effective 1 July 2024 i.e. starting contribution month July 2024.

All foreign workers who possess a valid pass or permit issued by the Director General of Immigration for the purpose of working in Malaysia shall contribute to PERKESO under the Invalidity Scheme based on the Contribution Rate (Appendix 1-Third Schedule).

For foreign workers who first enter the PERKESO scheme or contributing for the first time under the age of 55 years old, the First Category Contribution (Employment Injury Scheme and Invalidity Scheme) will be applicable whereas foreign workers who have reached 55 years old when they first enter the PERKESO scheme or who have reached 60 years old and are still working, the Second Category Contribution (Employment Injury Scheme) will be applicable.

Akaun Fleksibel (newly introduced Employees Provident Fund (EPF) Members Account) for members under 55

Members have a one (1) time option to transfer part of the savings balance in Akaun Sejahtera or the previous Account Two (2) as an initial amount to Akaun Fleksibel between 11 May 2024 and 31 August 2024.

The balance in the member's Akaun Sejahtera on the date the opt-in application is made will determine the transfer of the initial amount to Akaun Fleksibel.

If balance in Akaun Sejahtera is Malaysian Ringgit ("MYR") 3,000 and above, fifteen out of thirty (15/30) will be retained in Akaun Sejahtera. Ten out of thirty (10/30) of the balance in Akaun Sejahtera will be transferred to Akaun Fleksibel and five out of thirty (5/30) of the balance in Akaun Sejahtera will be transferred to Akaun Persaraan or the previous Account One (1).

If balance in Akaun Sejahtera is MYR 1,000 and below, all amount is transferred to Akaun Fleksibel.

If balance in Akaun Sejahtera is more than MYR 1,000 and less than MYR 3,000, the amount transferred to Akaun Fleksibel is MYR 1,000 and the remainder is retained in Akaun Sejahtera.

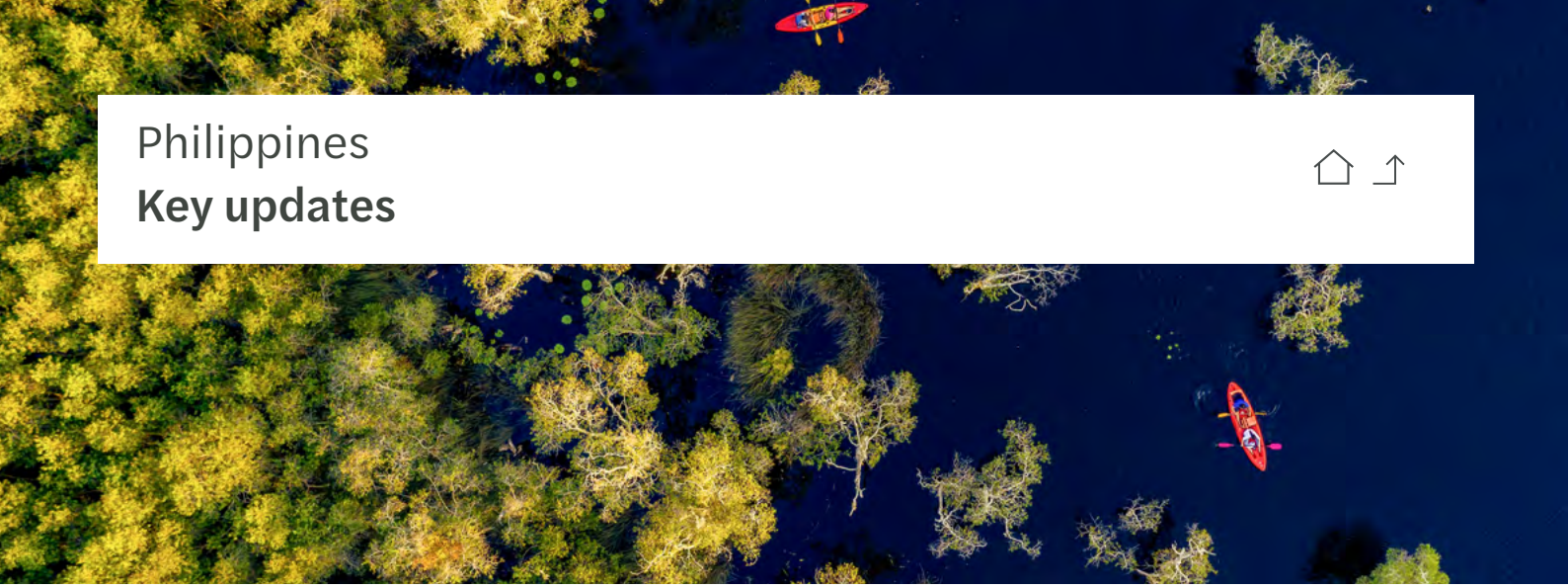
Akaun 55 and Akaun Emas for EPF members who reached 55 and over 55

For members who have reached 55, all savings in Akaun Persaraan, Akaun Sejahtera and Akaun Fleksibel will be merged into Akaun 55.

From the age of 55, new contributions received will be credited into Akaun Emas.

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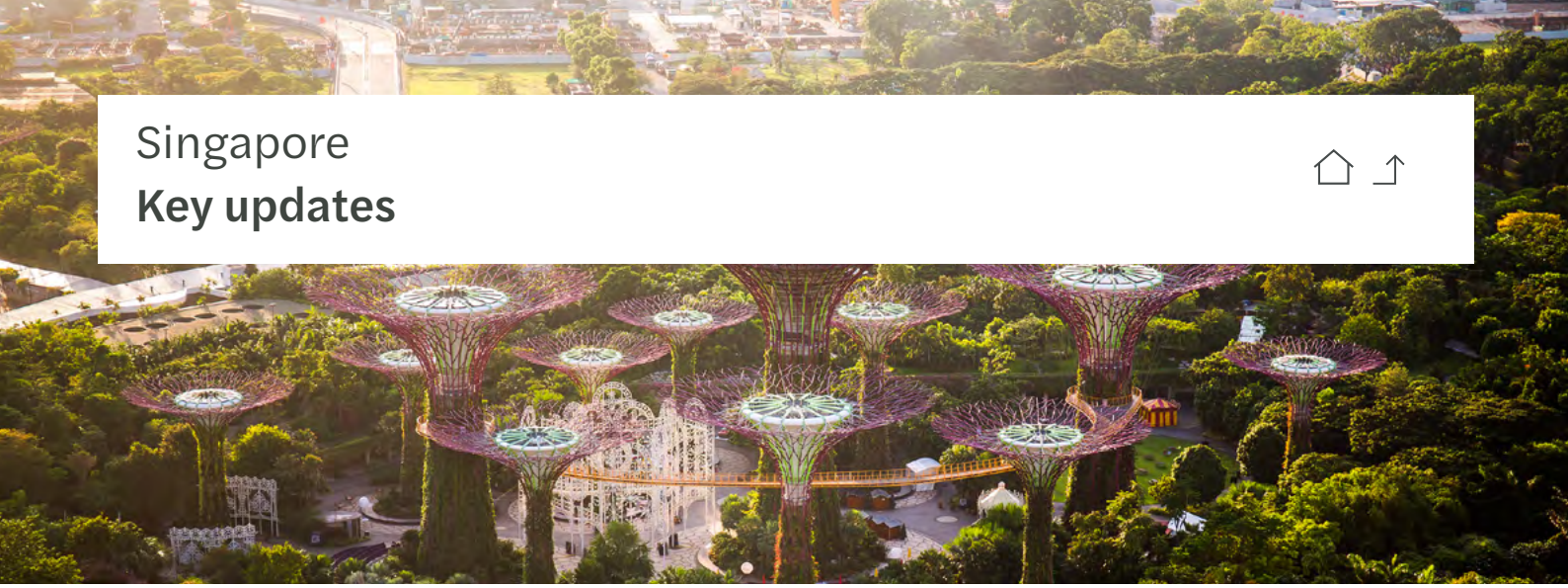


Philippines
Key updates

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Singapore
Key updates

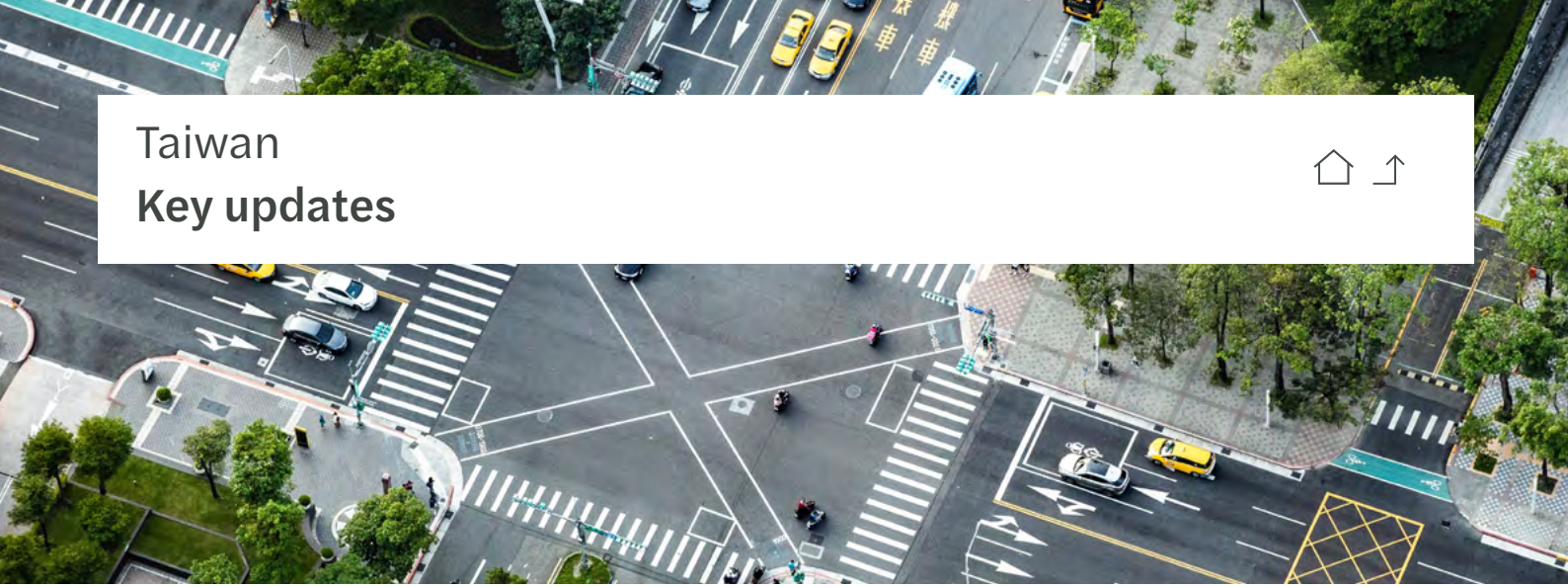
Changes to Local Qualifying Salary (LQS)

On 1 July 2024, Singapore increased the local qualifying salary (LQS) to SGD1,600. The LQS determines the minimum wages of locals who can be considered employees for the purposes of calculating the company's Work Permit and S Pass quota. With this increase, local employees must earn a minimum of SGD1,600 to be considered 1 local headcount.

For more information, visit Local Qualifying Salary (mom.gov.sg)

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Taiwan
Key updates

Typhoon strike! Tax reduction due to disaster damage.

On 26 July 2024, the Ministry of Finance stated that due to the impact of the typhoon, affected taxpayers could apply for various tax reductions and exemptions, including reductions and exemptions for individual income tax, corporate income tax, VAT, goods tax, tobacco and alcohol tax, housing tax, land price tax, car license tax and entertainment tax.

Those who declare a total loss less than NT$300,000 can submit a list of losses and supporting documents on their own, and have the National Taxation Bureau review them in writing.

Three major steps when applying for tax reduction due to disaster damage:

1. Take photos before cleaning up.
2. Attach a list of losses and relevant supporting documents, such as photos of the damaged property, original acquisition certificates, maintenance estimates, and invoices for the repair of damaged property. etc.
3. Pay attention to the application time

If the tax cannot be paid in full within the statutory period, can apply for an extension up to one year and a maximum of 36 instalments (three years).

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Thailand
Key updates

New tax deduction to promote low-season tourism in secondary provinces from May to November 2024.

On 4 June 2024, the Cabinet approved a measure to provide a tax deduction for certain domestic tourism expenses. Taxpayers can claim a personal income tax deduction for expenses paid to tour operators, hotels, Thai homestays, and non-hotel accommodation in secondary provinces during the period from 1 May 2024 to 30 November 2024. A deduction of up to THB 15,000 for such expenses actually paid can be claimed if supported by a full electronic tax invoice through the e-tax invoice and e-tax receipt system.

The list of 55 secondary provinces are as follows.

North	Chiang Rai, Lampang, Lamphun, Mae Hong Son, Nan, Phayao, Phrae, Tak and Uttaradit
Northeast	Amnat Charoen, Bueng Kan, Buri Ram, Chaiyaphum, Kalasin, Loei, Maha Sarakham, Mukdahan, Nakhon Phanom, Nong Bua Lam Phu, Nong Khai, Roi Et, Sakon Nakhon, Si Sa Ket, Surin, Ubon Ratchathani, Udon Thani and Yasothon
Central	Ang Thong, Chai Nat, Kamphaeng Phet, Lop Buri, Nakhon Nayok, Nakhon Sawan, Phetchabun, Phichit, Phitsanulok, Ratchaburi, Samut Songkhram, Sing Buri, Sukhothai, Suphan Buri and Uthai Thani
East	Chanthaburi, Prachinburi, Sakaeo and Trat
South	Chumphon, Nakhon Si Thammarat, Narathiwat, Pattani, Phattalung, Ranong, Satun, Trang and Yala

Reference (in Thai):

- Royal Thai Government

Increase in personal income tax exemption for severance pay provided due to termination.

On 18 June 2024, the Cabinet approved a draft Ministerial Regulation to increase the personal income tax exemption for severance pay provided in the event of termination of employment. However, this does not include severance pay provided upon retirement or when an employment contract expires at the end of a set period.

The new personal income tax exemption for severance pay is equal to wages paid for the last 400 days of employment, but not more than THB 600,000, effective retroactively from 1 January 2023.

Taxpayers who received severance pay in 2023 should file an amended personal income tax return for 2023 and request a tax refund by March 2027.

Current regulation

Severance pay provided for termination of employment under Thai labour law, not including for retirement or when an employment contract expires at the end of a set period, shall be exempt from personal income tax equal to wages paid in the last 300 days of employment, but not more than THB 300,000.

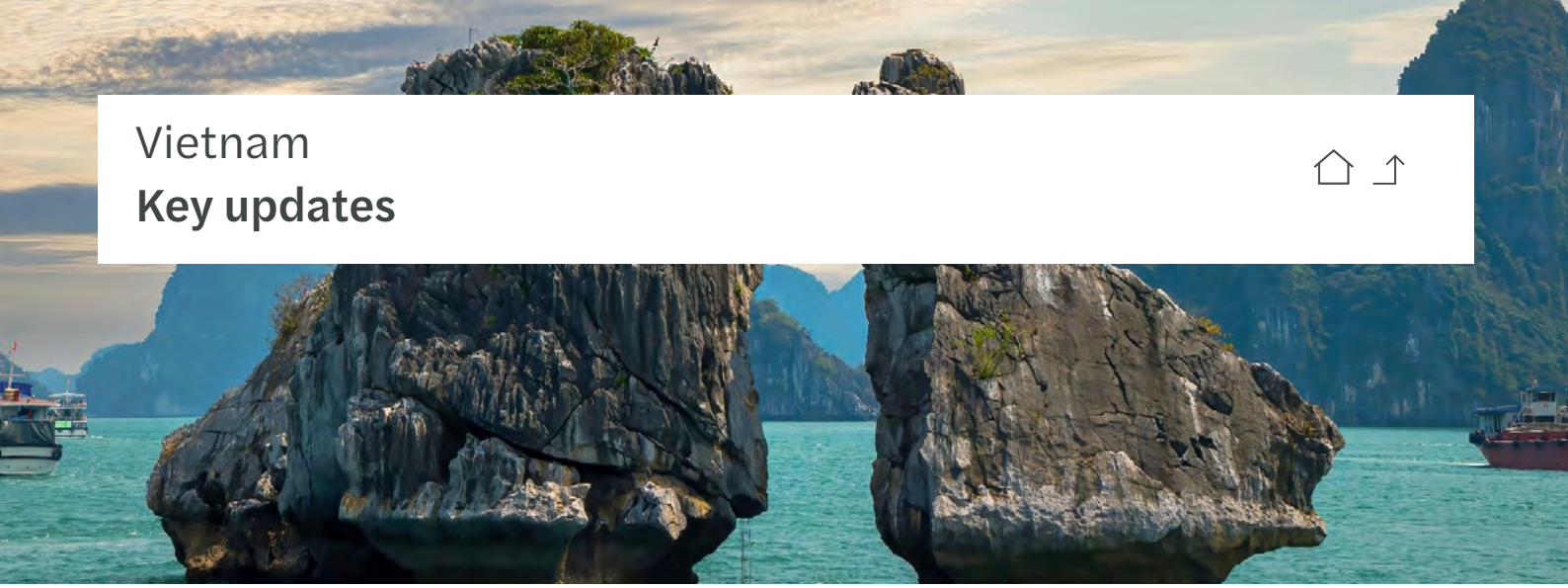
New draft regulation

Severance pay provided for termination of employment under Thai labour law, not including for retirement or when an employment contract expires at the end of a set period, shall be exempt from personal income tax equal to wages paid in the last 400 days of employment, but not more than THB 600,000.

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Decree 74/2024/ND-CP on the regional minimum salary for employees with labor contracts from 1 July 2024.

On 30 June 2024, the Government issued Decree 74/2024/ND-CP on regional minimum salary applied to employees working under labor contracts, which shall take effective from 1 July 2024, as follows:

- For enterprises located in region I: VND 4,960,000/month; VND 23,800/hour
- For enterprises located in region II: VND 4,410,000/month; VND 21,200/hour
- For enterprises located in region III: VND 3,860,000/month; VND 18,600/hour
- For enterprises located in region IV: VND 3,450,000/month; VND 16,600/hour

The list of Regions I, II, III and IV are prescribed in the Appendix enclosed with this Decree 74.

Accordingly, the new cap for Unemployment Insurance ("UI"), shall be effective from 1 July 2024 and vary for each region since it is calculated as 20 times of minimum regional salary. The new cap for UI shall be VND 99.2 million, VND 88.2 million, VND 77.2 million and VND 69 million, respectively for Region from I to IV.

Decree 73/2024/ND-CP on the basic salary level (formerly known as general minimum salary level) from 1 July 2024

Per the provision of Decree 73/2024/ND-CP issued by the Government dated 30 June 2024, from 1 July 2024, the basic salary will be set to VND 2.34 million per month. Accordingly, the cap salary for compulsory insurance contributions and some benefit of social insurance will be adjusted to 46.8 million.

Change on exchange rate for conversion of salary contributed to compulsory insurance from 1 July 2024

For labour contracts agreed under foreign currency, salary for compulsory insurance contribution for last 6 months is required to convert into VND using the average exchange rate on the inter-bank foreign exchange market of with the amount of 24,252 USD/VND.

Law on Social Insurance 2024

The National Assembly has approved the Law on Social Insurance 2024, including 11 Chapters and 141 Articles, which will take effect from 1 July 2025, with many major changes and many additional benefits for participants. Some of the main changes includes:

1. **Expanding the category of participants who eligible for contributing to compulsory social insurance:**
   - Employees working for the employer under a contract with a different name, but the content shows that this is a paid job with specific articles about salary, management, supervision, and administration of a party.
   - The category of employees working under a labour contract or a type of contract that is essentially a labour contract but works part-time and has a monthly salary that is greater than or equal to the minimum basic salary for the lowest compulsory social insurance.
   - The representative of the enterprise's contributed capital under the law; members of the Board of Directors, General Director, Director, members of the Control Board or controllers and other elected management and executive positions of cooperatives or

cooperative unions in accordance with the Law on Cooperatives with or without salary.

- The owner of business households with business registration.
- Foreign workers who have a labour contract of 12 months or more must take part in Social Insurance except for the following cases: internal transfer, of retirement age at the time of entering the labour contract and cases that is exempt due to International Agreement application, remove the requirements of having work-permit or professional certificate.

2. Specific regulations on the reference level in place of the minimum basic salary:

Reference level is the amount decided by the Government to calculate the level of payment and benefits of several social insurance regimes. In fact, this regulation is issued to replace the minimum basic salary, which is currently applied but will be removed in the future under the salary reforming program.

3. Supplementation of social benefits for Social Insurance participants:

- Supplementing the allowance regime for the elderly aged 70 years and over without pensions;
- Supplementing regulations on regimes for employees who are not eligible for pensions and are not old enough to benefit from social pension.

4. Social Insurance payment deadlines:

Deadline for paying compulsory social insurance has been adjusted. Specifically: the last day of the following month for the monthly payment method or the last day of the month immediately follows the payment cycle for the payment period of every 3 months or every 6 months or every 12 months.

5. Supplementing regulations on overdue payment and evasion of social insurance payment:

The definition of overdue payment and evasion of social insurance is detailed, providing the authorities with a clearer basis to ascertain the appropriate penalty for each case. Furthermore, the penalty interest rate for late payments of Social Insurance and Unemployment Insurance will be updated to a fixed rate of 0.03% per day, replacing the prior year's Social Insurance fund investment return rate.

6. Notable changes on social insurance regimes:

- Sickness benefits: Employees who take half a day of sick leave will be entitled to sickness benefits. The half-day sickness allowance is calculated as half of the one-day sickness allowance.
- Reduction of the minimum year's qualification for pension entitlement: Employees who have contributed to social insurance premiums for a full 15 years and above are entitled to a monthly pension once they reach the retirement age. This does not apply to employees entitled to pension due to their work capability impairment, the social insurance contribution period for these cases is 20 years and above.

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