Asia-Pacific Financial Forum

2016 Progress Report to the APEC Finance Ministers

APPENDIX 1

Research Findings on Retirement Savings Tax Incentives

July 2016

Economy	Retirement Savings Tax Incentive	Target Audience	Calculation Method	Currency Unit	Local Currency	US$	FX Rate	Remarks & Sources	
China				RMB			2014		
China	Up to 4% of annual pay exempt from income tax for purchase of enterprise annuities (EA) and occupational annuities (OA). Investment return exempt from income tax. Benefit payments from EA and OA plans subject to income tax.	Employees	Incentive capped at 300% of city average earnings for previous year and calculation based on 4% of annual average income of urban, private sector employee. Then converted to USD equivalent.		1455.6	236.49	0.162467	http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates. http://www.chinadaily.com.cn/china/2015-06/16/content_21020693.htm	https://www.towerswatson.com/en/Insights/Newsletters/Global/global-news-briefs/2014/01/china-new-tax-incentives-may-spur-interest-in-retirement-savings https://www.swisslife.com/content/dam/id_corporateclients/downloads/ebrm/China.pdf "
China	Employer contributions up to 8.3% of employee's annual pay will be exempt from income tax.	Companies	Calculation based on 8.3% of annual average income of urban, private sector employee. Then converted to USD equivalent.		3020.37	490.71	0.162467	http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates. http://www.chinadaily.com.cn/china/2015-06/16/content_21020693.htm	
Hong Kong, China				HK Dollar			2014		
	MPF contribution at 5% of monthly income, matched by employer, with maximum deduction at HKD18.000.	Employees	Annual limit then converted to USD equivalent		18000	2321.19	0.128955	http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates	
	MPF contribution of 5% of employee's monthly income	Companies	Calculation derived from 2014 average monthly income X 5%; extrapolated for 12 months and then converted to USD		8741.4	1127.25	0.128955	http://www.pwccn.com/webmedia/doc/635290458481999793_budget2014_tax_facts_figures.pdf	http://www.tradingeconomics.com/hong-kong/wages
Korea				Won			2014		
	Tax deductible contributions for social security and private benefit plans up to maximum allowance.	Employees	Calculation based on maximum monthly pension contribution paid by an employee, currently KRW 183,600.		2203200	2093.04	0.00095	http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates	https://www.swisslife.com/content/dam/id_corporateclients/downloads/ebrm/Korea.pdf
	Tax deductible contributions for social security and private benefit plans up to maximum allowance.	Companies	Calculation based on maximum contribution of KRW 4 million per annum		4000000	3800	0.00095		
Indonesia				Rupiah					
	Tax deductible contributions for social security and private benefit plans. 3.7% of the employee's monthly salary paid by the employer.	Employees	Calculation based on 2014 average per capita income X 3.7% of the employee's monthly salary paid by the employer for 12 months; then converted to USD.		19,187,143	1611.72	0.000084	http://www.ssek.com/download/document/Pensions_Guide_Indonesia_109.pdf	http://data.worldbank.org/country/indonesia
	Tax deductible contributions for social security and private benefit plans. 2% of the employee's monthly salary paid by the employee	Companies	Calculation based on 2014 average per capita income X 2% of the employee's monthly salary paid by the employer for 12 months; then converted to USD.		10,371,429	871.2	0.000084	http://www.ssek.com/download/document/Pensions_Guide_Indonesia_109.pdf	
Malaysia				Ringgit			2014		
Employees	Tax deductible contributions for social security and private benefit plans up to maximum allowance.	Employees	Up to RM9000 for life insurance and retirement funds, education & medical premiums;		9000	2751.61	0.305734	http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates	http://www.krinstitute.org/February_2015-@-How_much_do_Malaysians_Earn.aspx
Companies	Tax deductible contributions for social security and private benefit plans up to maximum allowance.	Companies	Up to 19% of employee annual renumeration. Calculation based on 2014 average per capita income X 19%; then		3830.4	1,171	0.305734	https://www.pwc.com/my/en/assets/publications/2015-malaysian-tax-business-booklet.pdf	

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			converted to USD						
Philippines				Peso			2014		
	Only medical insurance premiums are tax deductible	Employees	Up to PHP2400 per year for health insurance premiums when family income is less than PP 250,000; then converted to USD.		2400	54.06	0.022527	https://www.swisslife.com/content/dam/id_corporateclients/downloads/ebrm/Philippines.pdf	
		Employees	Mandatory contributions to government insurance programs deductible up to PHP 1038 per month X 12 months; then converted to USD		12456	280.60	0.022527	http://www.ey.com/Publication/vwLUAssets/Worldwide_Personal_Tax_Guide_2013-2014/$FILE/2013-2014%20Worldwide%20personal%20tax%20guide.pdf	
	Tax deductible contributions for social security and private benefit plans	Companies	Maximum monthly contribution by employer for employee is PHP 1209 X 12 months; then converted to USD		14508	326.82	0.022527	http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-philippineshighlights-2015.pdf	
Singapore				Dollar			2014		
	Life Insurance tax relief only for those whose total compulsory CPF contributions in 2014 was less than SGD 5000. Life insurance premiums are deductible but subject to certain conditions, and the total deduction (i.e. contributions to the CPF and life insurance premium) is restricted to SGD 5,000.	Employees	Maximum annual ceiling X USD exchange rate		5000	3946.97	0.789394	https://www.iras.gov.sg/irashome/Individuals/Locals/Working-Out-Your-Taxes/Deductions-for-Individuals/Life-Insurance-Relief/	http://www.adko.hu/01_files/offshore/singapore/singapore-egyen.pdf
	Employers who make cash top-ups for employees' CPF Minimum Sums on their behalf will enjoy an equivalent amount of tax deduction for such top-ups, up to SGD 1500.	Companies	Maximum annual ceiling X USD exchange rate		1500	1184.09	0.789394	https://www.iras.gov.sg/irashome/Businesses/Companies/Working-out-Corporate-Income-Taxes/Business-Expenses/Tax-Treatment-of-Business-Expenses/#title19	
	Voluntary cash contributions made by eligible companies to the CPF Medisave accounts of Self-Employed Persons (SEPs) are tax-deductible, up to SGD 1500.	Companies	Maximum annual ceiling X USD exchange rate		1500	1184.09	0.789394		
Chinese Taipei				New Taiwan Dollar	Dollar		2014		
	Premiums paid by or for the taxpayer, his/her spouse and lineal dependents for life insurance, labor insurance, national annuity and insurance for military personnel, public servants or teachers are deductible up to NT$24,000 per person per year. However, there is no limit on the amount of premium paid for national health insurance.	Employees	Annual limit then converted to USD equivalent		24,000	789.192	0.032883	http://indigo.com.hk/retirement_centre/tax/taiwan_tax.html	http://investtaiwan.nat.gov.tw/eng/show.jsp?ID=56
	TBC	Companies	TBC		TBC	TBC	0.032883	http://www.pensionfundsonline.co.uk/content/country-profiles/taiwan/100	
Thailand				Baht			2014		
	Up to 300,000 Baht on pension life insurance policy; up to 100,000 Baht on regular life insurance. A regular life insurance policy -	Employees	Maximum annual deduction then converted to USD equivalent		300000	9236.7	0.030789	http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates	http://www.bnppresearch.com/?E=cjehjkbfjga

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	Deduction for premiums up to THB100,000 per year. The policy must be contributed to for a minimum of five years with 10-year coverage. A Pension Life Insurance Policy - Deduction for premiums up to THB 200,000 per year under certain condictions. Amount claimed for this deduction must not exceed 15% of the taxpayer's annual assessable income. The sum of the Pension Life Insurance premium and any contributions to either: a provident fund, government pension fund, welfare fund under the private school law and/or any investment in the Retirement Mutual Fund (RMF) must not exceed THB 500,000 in any calendar year. If a taxpayer does not fully claim a regular life insurance deduction up to a maximum of THB 100,000 they may claim up to a maximum of 300,000 baht tax deduction on contributions to a Pension Life Insurance policy.								
	Contributions made to a company level provident fund (PF) are treated as a personal deductible allowance for the employee, subject to a cap of THB 300,000 per annum and must not exceed 15% of the annual wage or salary.	Employees	Maximum annual deduction then converted to USD equivalent		300000	9236.7	0.030789	http://www.nationmultimedia.com/business/Insurance-Commission-may-again-propose-tax-cut-for-30268081.html	
	Contributions made to the Social Security Fund are tax deductible to both employees and the employer for purposes of the annual income tax computation. Yearly contributions are treated as a personal deductible allowance for the employees in their annual personal income tax computation.	Employees			500000	15394.5	0.030789	http://www.dfdl.com/images/stories/IBFD_Asia_Pacific_Tax_Bulletin_-_DFDL_article_-_Social_Security_and_Pensions_Systems_Thaialnd.pdf	
	Up to 15,000 Baht annual deduction for premiums for spouse or spousal parents' health insurance	Employees			15000	461.84	0.030789	https://www.pwc.com/th/en/publications/2013/thai-tax-2013-booklet.pdf	
	Tax deductible contributions for social security and private benefit plans. For the employer, the contributions made to the SSF are treated as deductible corporate expenses for purposes of their annual income tax computation. Social security: tax deductible subject to a maximum of THB 750 per month. Private benefit plans: For retirement plans deductible up to 15% of salary, if various conditions are met. Other contributions / premiums are deductible.	Companies	THB 750 X 12 months; then converted to USD equivalent		9000	277.10	0.030789	http://www.pattayamail.com/moneymatters/how-thai-life-insurance-can-reduce-personal-income-tax-in-thailand-33623	
		Companies	15% of average annual income (THB 13591X12); then converted to USD equivalent		24463.8	753.22	0.030789	http://www.tradingeconomics.com/thailand/wages	
Vietnam				Dong			2014		
	Tax deductible contribution to voluntary pension products	Employees	Maximum annual deduction then converted to USD equivalent		12000000	564	0.000047	https://www.towerswatson.com/en-VN/Insights/Newsletters/Global/global-news-briefs/2014/03/viet	

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								nam-voluntary-pension-funds-framework-rewards-retirement-saving	
	Tax deductible contribution to voluntary pension products	Companies	Maximum annual deduction then converted to USD equivalent		12000000	564	0.000047	"	
								http://www.manulife.com/public/news/detail/0,,lang=en&artId=147709&navId=630002,00.html	
United Kingdom				British Pound					
United Kingdom	Employee contributions to government-approved unit-linked pensions are tax deductible. (Contributions to mutual funds, by contrast, aren't.) When a unit-linked pension policyholder is ready to retire, he or she may receive 25% of the value of the insurance contract as a tax-free lump sum. The rest is generally put into an annuity, the income from which is taxed like normal income -- but because many people fall into a lower tax bracket upon retirement (because they're no longer earning their full-time income), the annuity income will likely be taxed at a lower rate. How big a difference does the tax break make for an investor? Consider a single male U.K. resident putting money away each month between the ages of 30 and 65 and getting an average annual return of 5% (after all costs). According to the advisory firm Chase de Vere Financial Solutions PLC, the tax break is the difference between having GBP 100 ($180 or EU 150) to invest every month (into an ordinary mutual fund, say) and having GBP128 -- or even GBP 151, for someone in a high tax bracket. And after 35 years, the break makes the difference between GBP 110,846 and GBP 142,116, or even GBP 167,688. But the tax advantage for unit-linked investments varies by country.	Employees						http://www.wsj.com/articles/SB108205210868183877	
India				Rupee					
	ULIPS or unit linked insurance plan: Investment in ULIPS is also allowed as a deduction under Section 80C of [xx]. This includes contributions to Unit Linked Insurance Plan of LIC Mutual Fund e.g. Dhanraksha 1989 and contributions to Other Unit Linked Insurance Plan of UTI.							http://profit.ndtv.com/news/your-money/article-income-tax-deductions-available-to-nris-783008?site=full	
	A common perception is that the entire life insurance premium qualifies for tax deduction. However, that is not the case. Any amount paid towards life insurance premium for yourself, your spouse and children qualify for deduction							http://www.business-standard.com/article/pf/all-you-need-to-know-about-life-insurance-and-its-tax-implications-115052800737_1.html	

Economy	Retirement Savings Tax Incentive	Target Audience	Calculation Method	Currency Unit	Local Currency	US$	FX Rate	Remarks & Sources	
	under Section 80C. However, premium paid by you for parents/siblings/in-laws is not eligible. Tax deduction is subject to an overall ceiling of Rs 1.5 lacs under Section 80C.Any amount paid towards life insurance premium for yourself, your spouse and children qualify for deduction under Section 80C. However, premium paid by you for parents/siblings/in-laws is not eligible. Please note tax deduction is subject to an overall ceiling of Rs 1.5 lacs under Section 80C. Not all life insurance premium paid is tax deductible. If the policy is issued on or before March 31, 2012, annual premium up to a maximum of 20% of the Sum Assured is tax deductible. In case the policy is issued on or after April 1, 2012, annual premium up to a maximum of 10% of Sum Assured is tax deductible. An additional relaxation of 5% (i.e. up to 15% of Sum Assured) is available to person suffering from disability or sever disability (as specified under Section 80 U) or to those suffering from a disease or ailment as specified under Section 80DDB. For a life insurance policy, Sum Assured is the minimum amount assured to the nominee (of the policyholder) in the event of death of the policy holder. Let's consider an example. If you purchase an insurance policy with a sum assured of Rs 8 lacs and an annual premium of Rs 1 lacs, only Rs 80,000 (10% of Sum Assured) is tax deductible. You won't get any tax benefits for the balance premium. Any premium in excess of the aforesaid limit (10% of Sum Assured for the new policies) shall not qualify for tax deduction under section 80C of the Income Tax Act.								
Sweden				Krona					
	While contributions to private pensions are tax deductible, capital gains on unit-linked investments are taxed annually. For ordinary mutual funds, by contrast, the purchase isn't tax deductible, but capital gains remain untaxed until they're realized. (In essence, then, the question of whether to buy a unit-linked product or a mutual fund comes down to when you want to be taxed.)							http://www.wsj.com/articles/SB108205210868183877	
Italy/ Germany				Euro					
	Unit-linked investments must be held for 15 years to qualify for tax breaks, and no more than half of the accrued benefits can be taken							http://www.wsj.com/articles/SB108205210868183877	

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	in the form of a lump sum. In Germany, the minimum duration is currently 12 years.								
United States				USD					
	Generally called "qualified plans" because they qualify for specific tax treatment. Typically referred to by the section of the Internal Revenue Code that governs the type of plan: 401(k): Corporations and "private" employers and their unionized workforces – by far the most common arrangement; 403(b): Not-for-profit, such as hospitals or education; 457: Government; "Individual Retirement Arrangements" (IRAs) also qualify for similar tax treatment and have many similar rules. Typically offered by a single employer. Some "multiple-employer" plans currently exist, typically associated with unions where all plan participants are members of the same union. Employers may have more than one plan, such as: Union/non-union ("Hourly"/"Salaried"). After mergers and acquisitions, legacy plans may or may not always be combined. The retirement plan is a discrete legal entity, separate from the sponsoring employer or union. The employer or union typically is called the "plan sponsor". Individuals are typically called "participants" to reflect the fact that each employee is not necessarily required to participate in the plan (and that union members typically do not consider themselves to be "employees" of the unions sponsoring their plans).	Employer, Union			$18,000 in 2015-16; $6000 catchup contribution room for those 50+	$18,000 in 2015-16	1		
	Two variations: "traditional" and "Roth" (generally as either only "traditional" or both "traditional" and Roth together). "Traditional" - Contribution amounts are deducted from taxable income. Distributions are taxed as ordinary income. Roth - Contribution amounts are not deducted from taxable income. Distributions are not taxed as ordinary income. Common attributes for both "traditional" and Roth - Investment earnings are tax-deferred. Annual limits apply to contributions ($18,000 in 2015-16). "Highly compensated employees" may be subject to lower contribution limits. Additional "catch-up" contributions of $6,000 are allowed for individuals age 50+. Excise taxes apply to early distributions (pre-59 ½). Minimum distributions are required (starting at the later of age 70 ½ or "separation from service" (effectively, "at retirement")). It may be possible to "convert"	Employee (IRA - individual retirement account)		USD	$5,500 for 2015-2016. $1000 catchup contribution room for those 50+	$5,500 for 2015-2016			

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	existing balances from “traditional” to Roth and vice versa, although this has specific tax consequences and is not common. Other types of contributions Employers can make “matching contributions,” which typically are intended as incent participants to join and contribute. Matching contributions and the associated earnings typically are not included in taxable income when contributed, investment earnings attributed to them are tax deferred, and they are fully taxable as ordinary income when distributed from the plan. Matching contributions can be made subject to a vesting schedule (participant contributions generally are considered to be fully vested immediately). Participants may also be able to make optional “after-tax contributions”. Contribution amounts are not deducted from taxable income when contributed, and investment earnings attributed them are tax deferred. At distribution, the return of contribution amounts is not taxable, but investment earnings attributed to them are fully taxable as ordinary income.								
	Very specific and highly technical rules govern the retirement plans’ “qualification” for the special tax treatment. Include reporting, governance and oversight requirements - violations of those requirements often are considered “prohibited transactions” and subject to severe penalties. Within those requirements, plans generally have a notable amount of flexibility to define the specific terms and provisions that apply to the plan and its participants. The rules governing the specific plan are required to be documented in a “plan document”. Often includes testing to ensure “non-discrimination”. Primary controlling legislation is the Employee Retirement Security Act of 1974 (ERISA), as amended. Primary regulator is the U.S. Department of Labor. Different components may also be governed by additional laws and regulators (e.g., mutual funds and the Securities and Exchange Commission (SEC), insurance products and the relevant state insurance departments). Individuals charged with oversight of plans are considered fiduciaries. Under ERISA, fiduciaries are required to act “solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them”. General standard	DC and SIMPLE plans			Annual employee contribution for SIMPLE plans, $12,500.	$53,000 annual limit for combined employer - employee contributions to a defined contribution plan		http://www.pensionrights.org/publications/fact-sheet/retirement-plan-contribution-and-benefit-limits	

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	is "carrying out their duties prudently". Specific circumstances or requirements, called "safe harbors" and established by the U.S. Department of Labor, can provided clarity on how to satisfy "prudence" in certain specific situations. ERISA fiduciaries have personal financial liability for breaches of their fiduciary duty. Certain plans (particularly certain 403(b)s or 457s) are not subject to ERISA, but they generally look to ERISA as a reference and definition of prudence. Certain service providers (e.g., administrators, investment managers) may be considered fiduciaries in some circumstances. The U.S. Department of Labor has proposed revised regulations governing the definition of who is and is not a fiduciary and this topic is currently the subject of much ongoing discussion and interaction.								
Canada				CAD					
	Registered retirement savings plan (RRSP)	Employees	Annual limit then converted to USD equivalent		25,370	19,535	0.77	http://www.cra-arc.gc.ca/limits/	
	Defined Benefit Pension Plan (DB)	Employees, Employers			2,890	2,225			
	Defined Contribution Pension Plan (DC); known in Canada as a Money Purchase Pension Plan (MP)	Employees, Employers			26,010	20,028			
	Tax Free Savings Plan (TSFA)	Employees			5,500	4,235			
	Deferred Profit Sharing Plan (DPSP)	Employers			13,005	10,014			
Australia				AUD					
	Superannuation contribution cap	Employees <49			30,000	22,200	0.74	https://www.ato.gov.au/Rates/Key-superannuation-rates-and-thresholds/	
		Employees 49+			35,000	25,900			
	Non-concessional contribution cap, where a person's personal contributions do not result in a income tax deduction.	Employees			500,000	370,000		http://www.superguide.com.au/boost-your-superannuation/super-rates-and-thresholds	* Up from AUD 180,000 on 3 May 2016