Global Reward Services Quarterly Newsletter

June 2025

Topics included in this issue:

Americas

Argentina: Significant relaxation of access to Official Exchange Market

On April 11, 2025, the Central Bank of the Republic of Argentina issued Communication "A" 8226, effective April 14, 2025, introducing significant changes to the Official Exchange Market and access for individuals and companies.

KPMG observation:

The regulatory changes by BCRA and the Revenue Agency simplify access to the Official Exchange Market and adjust tax assessment rules. This regulatory shift is expected to enhance market confidence and operational efficiency for both individuals and businesses in Argentina.

From a global mobility perspective, the ability of any individual to access the capital market to obtain foreign currency brings about a new chapter for multinational companies and their employee mobility workforce in Argentina.

Companies may wish to review their compensation packages and strategies for foreign employees in Argentina and their local employees who have been under "special" treatment due to the foreign exchange control restrictions. The analysis could impact on different areas: employee retention, cost and administrative structures, etc.

For more information, please consult the KPMG Flash Alert or contact Rodolfo Canese Mendez, partner, International Corporate Tax & GMS, KPMG Argentina at rcanese@kpmg.com.ar or Cecilia Nunez, partner, KPMG Argentina at cnunez@kpmg.com.ar.

Argentina: Social Security Agreement with South Korea enters into force

The Social Security Agreement (the Agreement) between Argentina and South Korea entered into force on February 1, 2025. However, forms and the Administrative Agreement are still not in place. This is the first such agreement between the two countries. The Agreement applies to any person who is or who has been subject to the legislation of either Contracting Party (that is, either Argentina or South Korea), and to the dependents and survivors of such a person within the meaning of the applicable legislation.

KPMG observation:

The Agreement between Argentina and South Korea prevents dual social security contributions, establishes equal treatment under the social security laws of the host country, allows for the totalization of periods, and allows for exportability of benefits.

Knowing that their income will be subject to social taxes in one country only, rather than double taxed, and that their working time and accrued social security benefits will be "totalized," may aid potential international assignees in their decisions as to whether to take an assignment in the other country. Also, not being double taxed will mean lower assignment costs for their employers.

The Agreement is expected to enhance cross-border business and promote mobility of workers between Argentina and South Korea by eliminating double social security taxation of the same earnings and by facilitating the process of claiming benefits.

For more information, please refer to our KPMG Flash Alert or contact Rodolfo Canese Mendez, partner, International Corporate Tax & GMS, KPMG Argentina, at rcanese@kpmg.com.ar or Rodrigo Barbieri, manager, KPMG Argentina, at rbarbieri@kpmg.com.ar.

Barbados: Social Security earnings ceiling raised

The Barbados government announced that effective January 1, 2025, the maximum insurable earnings ceiling for National Insurance (NI, Social Security equivalent) is B$1,219 (approximately US$610) for weekly paid workers and B$5,280 (US$2,640) for monthly paid workers.

All employed individuals between the ages of 16 and 65 must contribute to NI.

KPMG observation:

Employers in Barbados, including foreign employers, must correctly calculate and pay NI contributions for their employees under Barbados social security legislation. Failure to do so can result in penalties. Social security agreements with various countries, including Canada, the UK, and CARICOM members, influence these obligations for globally mobile employees. The current NI rates are 11.1 percent for employees and 12.75 percent for employers, with a cap on insurable earnings. Self-employed individuals pay a rate of 17.10 percent on their declared salary and can choose their payment frequency.

For more information, please refer to the KPMG Flash Alert or reach out to Marianne Greenidge, senior manager, Tax, KPMG Barbados, at mariannegreenidge@kpmg.bb.

Canada—Government deferring capital gains tax changes to 2026

Taxpayers subject to Canadian tax law will not be required to account for the budget's proposed capital gains inclusion rate increase in their upcoming 2024 tax filings. In an announcement on January 31, 2025, Finance said that it will defer the implementation date for the increase to January 1, 2026 (from June 25, 2024).

For more detailed reporting, see "Tax Increase to Capital Gains Deferred to 2026" in *TaxNewsFlash-Canada* (January 31, 2025, No. 2025-05), a publication of the KPMG firm in Canada.

KPMG observation:

The budget's proposals on the capital gains inclusion rate (and stock option deduction) carried potential impacts on tax-equalization policies and Canada's departure tax; therefore, employers would have needed to re-consider their compensation plan structures.

Finance's announcement provides helpful guidance for taxpayers who were unsure whether they were required to account for the increase to the capital gains inclusion rate in their tax filings, given the proposed increase was scheduled to take effect retroactively on June 25, 2024, but was not enacted before Parliament was prorogued on January 6, 2025.

The reductions in the stock option deduction amount and the increases in the capital gains in the inclusion amount will impact mobile employees. There would be changes to how employers administer payroll withholdings and reporting given the new rates.

Also, there would be a focus on potentially crystallizing the application of the current rates by selling assets or exercising options early. Employers that have employees with unvested stock options may want to consider whether to accelerate the vesting of such options.

Employers may want to revisit their compensation plan mix, as the taxation of options may become less preferential. As an example, as stock options generally do not allow employers to claim a corporate tax deduction, which cash-settled RSUs do, employers may evaluate whether replacing options with cash-settled RSUs could result in a better combined tax rate.

Employers may also have to re-calculate the estimated costs of their tax-equalization policies, particularly if they cover personal income, as well as re-evaluate the desirability of equalizing for personal capital gains and accelerating any potential moves from Canada before January 1, 2026, if practical.

For more information, refer to the KPMG Flash Alert or reach out to Sonia Gandhi, partner, KPMG Canada, at soniagandhi@kpmg.ca.

Chile: 2024 annual tax return filing calendar, refund information

On March 27, 2025, the Chilean Treasury and the Chilean tax authority (Servicio de Impuestos Internos in Spanish, a/k/a "Chilean IRS") published the 2024 tax season calendar (with relevant dates) related to the 2024 individual income tax return process. The calendar sets the dates according to which tax refunds will be made—they are related to the date that the annual return is filed—and the alternatives for receiving a refund (bank account deposit or check).

KPMG observation:

Employers and tax professionals who provide tax services for a company's employees should already have issued communications on the tax filing deadlines to those employees and any changes in procedures to be followed. If then they have not done so already, they should take steps to do so with minimal delay.

If taxpayers and/or their employers have concerns about this year's filing deadlines for tax returns and/or how to handle refund procedures, then they should contact their usual tax service professional or a member of the GMS Tax team with KPMG Chile (see the Contacts section).

For more information, please refer to the KPMG Flash Alert or contact Angelo Adasme, Partner, Tax – GMS, KPMG Chile, at aadasme1@kpmg.com; Gustavo Maldonado, director, KPMG Chile, at gmaldonado@kpmg.com; or Juan Mery, manager, KPMG Chile, at jmery@kpmg.com.

United States: Final covered expatriate gift regulations: An overview

This GMS Flash Alert provides an overview of the finalized covered expatriate gift regulations issued on January 10, 2025, and published in the Federal Register on January 14, 2025.

KPMG observation:

The finalized regulations on the covered expatriate gift tax, effective January 2025, provide essential guidance for global mobility programs dealing with the US expatriation tax regime. This regime affects individuals relinquishing US citizenship or permanent residency, who are deemed "covered expatriates" and subject to a mark-to-market tax. Additionally, gifts and bequests from these expatriates are taxed under section 2801, with the recipient responsible for payment. The regulations clarify the definition of a US resident for transfer tax purposes, emphasizing domicile status over income tax definitions to prevent tax avoidance. Exceptions exist for transfers to spouses and those reported on timely US tax returns. The section 2801 tax is calculated by reducing the total covered gifts by the annual exclusion limit and applying the highest estate or gift tax rate. A new Internal Revenue Service (IRS) Form 708 will be used for reporting, though its applicability to transfers before 2025 remains unclear.

For more information, please refer to the KPMG Flash Alert or reach out to Martha Klasing, partner, Washington National Tax, KPMG US, at mklasing@kpmg.com or John Seery, managing director, KPMG US, at jseery@kpmg.com.

United States: Presidential action on reciprocal tariffs: Implications for global mobility

On April 2, 2025, US President Donald Trump announced a sweeping tariff policy to impose reciprocal tariffs on countries that apply duties to US goods.

KPMG observation:

This policy includes a 10 percent duty on nearly all imports to the US starting April 5, 2025, with higher reciprocal rates for countries with significant trade imbalances effective April 9, 2025. A 90-day pause was announced for these higher rates for over 75 countries, excluding China, which faces a combined tariff rate of 125 percent. Additionally, a memorandum issued on February 21, 2025, titled "America First Investment Policy," indicates a review of the US–China income tax treaty for potential suspension or termination. These changes impact businesses by raising costs, disrupting supply chains, and potentially affecting the global mobility of employees. Companies may need to adjust production, relocate employees, and manage increased operational costs. The potential revocation of the US–China treaty could lead to loss of tax exemptions for US businesses operating in China. KPMG advises companies to work closely with strategic planning teams to anticipate shifts in workforce needs and assess implications of tax and tariff measures on international assignments. Given the dynamic nature of trade policies, it is crucial to stay updated and consult professional advisers for compliance and accuracy.

For more information, please refer to our KPMG Flash Alert or contact the article author Martha Klasing, partner, Washington National Tax, KPMG US, at mklasing@kpmg.com.

Europe, Middle East, and Africa

Angola: Proposal for a reformed personal income tax code

On April 1, 2025, Angola's new Personal Income Tax Code was made available for public consultation. The aim is to gather contributions/input from entities representing civil society, the business sector, and professional associations by April 30, 2025.

This proposal is part of the effort to modernize the Angolan tax system and aims to replace the current taxation model—based on multiple legislation, such as the Employment Income Tax Code, the Capital Investment Tax Code, the Stamp Duty Code, and the Property Tax (from the rental income perspective)—with a single legislation that covers taxation of all income of individuals.

KPMG observation:

The entry into force of this reform proposal would significantly impact employers—they may wish to evaluate the tax implications arising from their current remuneration structure as is and consider alternative solutions—as well as employees, who would be facing additional reporting obligations and may be impacted by an increase of the applicable tax rates and potential international double taxation.

Given the potential impact of the reform on the taxation of individuals, KPMG Portugal is fully aware of the practical implications of the proposed changes for both the domestic (Angola) and international tax contexts. We are available to support companies by reviewing remuneration packages and formulating alternative solutions for consideration tailored to companies' particular circumstances and helping them to adapt their mobility and remuneration policies accordingly, in a timely manner, while also providing ongoing support to employees in complying with the new income tax obligations when they come into force.

For more information, please refer to our KPMG Flash Alert or contact Sandra Aguiar, associate partner, Personal Advisory Services, KPMG Portugal, at saguiar@kpmg.com; or Joana Mota, associate partner, KPMG Portugal, at jmota@kpmg.com; or Rita Esteves, senior manager, GMS Tax, at KPMG Portugal, at resteves@kpmg.com.

Belgium: Key personal income tax measures in new government's coalition agreement

The Belgian federal government, De Wever I, has introduced a Federal Coalition Agreement for 2025–2029, focusing on tax reforms to boost purchasing power and economic competitiveness. Key changes include enhancing the expat tax regime with a higher tax-free allowance and lower salary requirements and introducing a 10 percent "solidarity contribution" tax on future capital gains. Measures for international employees aim to simplify tax compliance, while employer social security contributions will be capped.

KPMG observation:

The coalition agreement formed by the new Belgian government, De Wever I, finalized in January 2025, outlines several measures that will impact individuals—including those on international assignments—and their employers.

The changes to the tax regime for inbound taxpayers and researchers will introduce greater flexibility and provide for more favorable terms. The cap to be introduced on social security contributions paid by employers will help employers to keep their employment-related tax costs down. However, taxpayers with certain unearned income will be subject to heavier taxation with the application of the so-called "solidarity contribution" on future unrealized gains.

The impact on international assignment costs will depend on taxpayers' circumstances and the terms of a company's international assignment policy.

For more information, please refer to our KPMG Flash Alert or contact Saadia Abdi, director, Global Mobility Services, KPMG Belgium, at sabdi@kpmg.com or Ilse De Mesmaeker, senior tax manager, KPMG Belgium, at idemesmaeker@kpmg.com.

Czech Republic—Employee share, stock option plans amendment effective April 1

In November 2024, a draft amendment to the Income Tax Act (Zákon o daních z příjmů č. 586/1992 S) concerning the taxation of income from employee stock option plans was introduced.

KPMG observation:

In November 2024, a draft amendment to the Income Tax Act regarding the taxation of employee stock option plans was introduced, becoming effective on April 1, 2025. This amendment reinstates the pre-2024 taxation system, allowing tax deferral only if employers notify the Czech tax authority of their intent to defer. It affects income received both before and after the effective date, simplifying plan administration for companies in global stock schemes by clarifying the taxation timing.

Employers must notify the tax authority by the 20th day of the month following the acquisition of shares or options to defer taxation; otherwise, income is taxed as it was until the end of 2023. For income received before the amendment's effective date, employers have two months to notify the tax authority to defer taxation; otherwise, it becomes taxable in the second month after the amendment's effective date. The amendment has raised questions, prompting guidance from the General Financial Directorate.

Additionally, the possibility to tax employee income in the same manner as before 2024 is expected to simplify plan administration, especially for companies participating in global share and stock option schemes, for which tracking the taxation moment for each employee has been challenging.

For more information, please refer to the KPMG Flash Alert or contact Daniela Kralova, manager, tax, KPMG Czech Republic, at dkralova@kpmg.cz or Marie Smekalova, senior consultant, Tax, KPMG Czech Republic, at msmekalova@kpmg.cz.

Czech Republic: Single monthly employer reporting and related changes to income tax

In this *GMS Flash Alert*, we report on tax developments in the Czech Republic including (1) legislation concerning single monthly employer reporting and (2) a proposed amendment to the Income Tax Act that would abolish the withholding tax on remuneration paid to corporate body members who are individuals and Czech tax nonresidents as well as the withholding tax on income from dependent activity.

KPMG observation:

This GMS Flash Alert highlights recent tax developments in the Czech Republic, focusing on legislation for single monthly employer reporting and a proposed amendment to abolish withholding tax on specific remunerations. The single monthly reporting, approved in March 2025 and set to launch in 2026, aims to reduce administrative burdens by replacing the current 25 reports with one comprehensive report. The proposed amendment, effective from January 2026 and 2027, seeks to abolish withholding tax on remuneration for nonresident corporate body members and income from dependent activities, addressing tax inequalities and simplifying tax processes.

Taxpayers with dependent activity income will need to file tax returns unless their employer handles the annual settlement. Additionally, a new service for pre-filling tax return forms using information from the single monthly reports is planned. Employers are advised to consult with tax advisers to understand the implications and prepare for compliance.

For more information, please refer to our KPMG Flash Alert or Daniela Kralova, manager, Tax, KPMG Czech Republic, at dkralova@kpmg.cz or Maria Marhefkova, senior consultant, Tax, KPMG Czech Republic, via email at mmarhefkova@kpmg.com.

Italy: Tax changes in the "Manovra Fiscale 2025" and other updates

This *GMS Flash Alert* reports on measures in Italy’s Budget Law that concern, among others, adjustments in income tax thresholds, the tax exemption for lower incomes, deductions allowed for taxpayers, and the tax treatment of fringe benefits. A recent circular also makes changes to social security.

The 2025 Italian Budget Law no. 207 of 2024 was published in the Italian official gazette (*Gazzetta Ufficiale*) at the end of December.

The Budget Law continues the trend to a simplification of the Italian tax system and the journey towards a single flat-tax rate. In addition, the Budget Law confirms some changes that have already been announced. Specific measures limit the availability of some tax credits and deductions for high-earning individuals. There are also some adjustments related to “green” taxation, particularly a change to the taxation of company cars, which now favors electric vehicles.

KPMG observation:

For the most part, the Budget Law measures aimed at individuals represent some degree of stability in terms of the main income tax rates and brackets; however, there are changes that limit the availability of deductions for high-earning individuals. This could have the effect of raising their tax burdens. From an employer's perspective, where assignees subject to Italian tax law are concerned, this could also raise their tax costs tied to international assignments.

Attention should be given to the measures in the Budget Law as there could be an effect on cost projections for future assignees and on budgeting for international assignments to Italy and from Italy where such assignees will be subject to Italian taxation. Furthermore, any resultant tax differentials may impact tax equalizations. Finally, if appropriate, payroll administrators should already have adjusted withholdings.

The move from multiple tax rates to a more streamlined tax system is confirmed and continues, with the current situation of only three progressive tax rates. Although beneficial for lower-income individuals, the "withdrawal"—or phase-out—of the deduction could lead to an increase in their marginal tax rates, as the taxpayer moves from one band to another.

The change represents a considerable increase in the taxation of petrol and diesel cars and is intended to favor electric vehicles. Previously, lower-emission petrol cars may have fallen into the 20 percent or 30 percent ACI value categories, but now all petrol-powered cars will be a minimum 50 percent of the scale charge regardless. Conversely, all electric vehicles will now fall into the lowest, specific, electric-vehicle bracket. Employers may need to review the composition of their company car fleets to determine the extent of extra costs in future they are willing to incur.

For more information, please refer to the KPMG Flash Alert or contact Stefania Quaglia, partner, KPMG Italy, at squaglia@kpmg.it or Pierluigi Zucchelli, associate partner, KPMG Italy, at pzucchelli@kpmg.it.

Netherlands: Dutch Supreme Court clarifies allocation of travel days

Half of a travel day must be allocated to the country of departure and half to the (final) country of arrival. That is what the Dutch Supreme Court (*Hoge Raad*) ruled in a judgment rendered on the business trips made by a goalkeeper coach. At issue was whether a travel day had to be allocated as a working day to the country of departure, the country of arrival, or to both.

KPMG observation:

In rendering this judgment, the Supreme Court has provided clarity on the treatment of travel days. This is an important judgment on the allocation of salary for tax purposes of an employee who makes business trips and is subject to tax in more than one country.

Although the judgment contributes to a straightforward allocation of (business) travel days, it also raises questions about the practical implementation of this. For example, what about the employee who makes a short one-hour trip early in the morning and spends the rest of the day in the other country? What if the other country has another approach and therefore another allocation of the salary? It is now up to taxpayers and the Dutch tax authorities to apply these rules in practice. We would like to emphasize once again how important it is to carefully document the time spent traveling and working.

For more information, please refer to the KPMG Flash Alert or reach out to Sandy Govers, senior manager, Tax, KPMG Netherlands, at govers.sandy@kpmg.com.

Norway: Approval for National Budget 2025

The 2025 Norwegian National Budget (Statsbudsjettet 2025) was finalized on December 17, 2024. Below, we provide a brief overview of the main tax changes, with a focus on the additional employer's tax, income tax rates and thresholds, and exit tax.

KPMG observation:

The 2025 Norwegian National Budget introduces several key tax changes. The additional employer's tax has been abolished, reducing the employment-related tax burden. Income tax thresholds have been adjusted, resulting in a moderate tax reduction for incomes below NOK 1 million and a slight increase for higher incomes. The social security rate has decreased slightly, and standard deductions have been modified. Significant changes to exit tax rules include a new basic allowance of NOK 3,000,000, which exempts latent gains below this amount from exit tax, and an expanded scope to include share savings accounts and endowment insurance. The exit tax must now be paid upon emigration, with a deferral option limited to 12 years. If a taxpayer returns to Norway within 12 years, then the exit tax on assets owned at the time of return is canceled. These changes necessitate prompt communication with stakeholders for effective planning and compliance.

For more information, please refer to the KPMG Flash Alert or reach out to Hakon Rakkenes, director, KPMG Norway, at hakon.rakkenes@kpmg.no; Gjertrud Behringer, partner, KPMG Norway, at gjertrud.behringer@kpmg.no; or Madeleine Kamfjord, senior associate, KPMG Norway, at Madeleine.Kamfjord@kpmg.no.

Portugal: Expatriate tax regime ended; new tax incentive for scientific research and innovation

Significant changes have been introduced in Portugal in the past few months that impact global-mobility policies, notably the termination of Portugal's expatriate tax regime known as "the non-habitual resident's (NHR) special tax regime" (*regime fiscal do Residente Não Habitual*). This regime previously provided tax incentives to inbounds, such as exemptions on income from foreign sources, alongside a 20-percent flat-tax rate applied to employment or self-employment income derived from high-value-added activities defined in the tax law.

KPMG observation:

The end of the NHR special tax regime may significantly impact global-mobility policies for companies operating in Portugal. This regime, with its substantial tax benefits, has long been an appealing tool for attracting foreign professionals. Its repeal could affect the attractiveness of Portugal as a preferred location for overseas assignments, particularly for senior executives, specialists, and other high-value-added employees who were major beneficiaries of the flat 20-percent tax rate.

However, the introduction of IFICI represents a pivotal development for companies within the technology, science, and research sectors, as well as for companies with programs for research and innovation and that benefit from specific tax incentives. It is designed to bolster Portugal's appeal for companies looking to relocate highly skilled professionals to the country and those engaged in technology advancement, scientific research, and business development.

In basic terms, it offers tax incentives such as those previously granted by the NHR, including a 20-percent flat-tax rate on employment or self-employment activities within such sectors, along with tax exemptions on certain categories of foreign income.

For more information, please refer to the KPMG Flash Alert or contact Sandra Aguiar, associate partner, Personal Advisory Services, KPMG Portugal, at saguiar@kpmg.com; or Joana Mota, associate partner, KPMG Portugal, at jmota@kpmg.com; or Rita Esteves, senior manager, Global Mobility Services, KPMG Portugal at resteves@kpmg.com.

Spain: New social security solidarity contribution to hit incomes above the cap

As of January 1, 2025, a new "additional solidarity contribution" (in Spanish, cuota de solidaridad or cotización adicional de solidaridad) has been introduced for remuneration exceeding the maximum contribution base in Spain.

KPMG observation:

Effective January 1, 2025, Spain has implemented an "additional solidarity contribution" for employee incomes exceeding the maximum monthly social security contribution base of EUR 4,909.50. Introduced by Royal Decree-Law 2/2023, this progressive contribution does not apply to self-employed individuals and does not generate additional pension rights. The contribution rates start at 0.92% for incomes between EUR 4,909.50 and EUR 5,400.45, increasing progressively with higher income brackets, and will reach up to 7 percent by 2045. This reform aims to increase contributions from higher-income employees and gradually eliminate the maximum cap on contribution bases. The change will result in higher social security costs for affected employees and potential administrative complexities for international assignees and their employers, who must account for and adjust their payroll and budgeting accordingly. Companies are advised to consult with their global mobility providers to help ensure compliance with the new regulations.

For more information, please refer to the KPMG Flash Alert or reach out to Miguel Arias, partner, KPMG Spain, at marias@kpmg.es; Sergio Gonzalez Anta, partner, KPMG Spain, at sgonzalezanta@kpmg.es; or Igor Diego Angulo, Director, KPMG Spain, at idiego@kpmg.es.

United Kingdom: July 6 employee share plan reporting deadline

Employers must register any new reportable arrangements and file all Employment Related Securities (ERS) annual returns with the U.K. tax authorities on or before July 6, 2025. Employers have an annual obligation to report any notifiable events that occur in relation to ERS (i.e., shares or other securities that are acquired by reason of employment), or the right to acquire ERS (such as employee share options or restricted stock units).

KPMG observation:

Share-based awards held by internationally mobile employees, where reporting, payroll, and corporation tax requirements are not completely aligned, can present challenges. Employers should review their mobile workforce carefully to identify any such difficulties and determine how these should be addressed.

If employers do not meet their annual obligation to report notifiable events that occur in relation to ERS during a UK tax year (a UK tax year runs from April 6 to April 5) and file related returns for 2024–2025 by July 6, 2025, then automatic penalties will arise.

Employers must be confident that the information provided in the annual returns is complete and correct and can be reconciled with their payroll and corporation tax compliance positions.

It is recommended that employers consider preparing for ERS annual returns now, as this will provide sufficient time, if needed, to make any necessary corrections to errors or omissions.

For more information, please refer to the KPMG Flash Alert or contact Lorna Jordan, director, Reward, Tax, and People Services, KPMG UK, at lorna.jordan@kpmg.co.uk, or Alison Hughes, director, NM People Services London, KPMG UK, at alison.hughes2@kpmg.co.uk.

United Kingdom: Income tax measures in Scottish Budget 2025–2026

The Scottish Budget for 2025–2026 was presented to the Scottish Parliament on December 4, 2024. This report summarizes key employment tax compliance considerations for global organizations with employees based in Scotland.

KPMG observation:

Employers must determine the Scottish taxpayer status of employees, especially those under modified payroll agreements, based on statutory tests and HMRC guidance. The budget maintains existing income tax rates but increases the Basic and Intermediate thresholds by 3.5 percent from April 6, 2025. The Scottish Parliament sets income tax rates for nonsavings and nondividend income, while the UK Parliament sets the Personal Allowance and taxes on savings and dividends.

For more information, please refer to the KPMG Flash Alert or reach out to Edward Norrie, Partner, Tax, KPMG United Kingdom, at edward.norrie@kpmg.co.uk, or Pauline Devine, Director, Tax, KPMG United Kingdom, at pauline.devine@kpmg.co.uk, or Mike Lavan, Director, Employment Tax, KPMG United Kingdom, at mike.lavan@kpmg.co.uk.

Asia-Pacific

Malaysia: 2025 Budget/Finance Bill highlights: Tax measures affecting individuals

Malaysia's Prime Minister and Finance Minister presented the third budget from the MADANI government on October 18, 2024, with a theme of "Reinvigorating the Economy, Driving Reforms and Prospering the Rakyat."

KPMG observation:

The 2024 Malaysian budget, presented by the Madani government, reflects the government's focus on broadening the tax base, encouraging financial planning and savings, and enhancing progressivity. Key measures include a 2 percent dividend tax on local dividend income exceeding MYR 100,000 for individual shareholders, impacting both residents and nonresidents. This tax excludes dividends from specific sources like the Employees Provident Fund (EPF) and foreign sources. Additionally, the proposed mandatory EPF contributions for non-Malaysian employees will affect expatriates' disposable income and increase employer costs. The budget also extends tax reliefs and the foreign-source income remittance exemption period to 2036, provided the income is taxed in its origin country. These changes necessitate adjustments in tax reporting and compliance for affected individuals and companies.

For more information, please refer to the KPMG Flash Alert or reach out to Yenping Long, partner, GMS, KPMG Malaysia, at yenpinglong@kpmg.com.my; or Chooi Lian Fong, executive director, GMS, KPMG Malaysia, at chooilianfong@kpmg.com.my; or Chong Eng Wee, director, GMS, KPMG Malaysia, at chongengwee@kpmg.com.my.

Philippines: Higher Social Security contributions effective January 2025

On December 19, 2024, the Philippine Social Security System (SSS) released Circular 2024–06, implementing a one percentage point increase in the contribution rate effective January 2025.

The combined employer and employee Philippine SSS contribution, therefore, increased to 15 percent (from 14 percent). This marks the final phase of SSS rate adjustments under the 2019 statute RA 11999.

KPMG observation:

Employees will contribute 5 percent of their monthly salary, up from 4.5 percent, while employers will contribute 10 percent, up from 9.5 percent. Although this increase reduces take-home pay and raises employer costs, it is intended to improve future benefits like pensions and financial security for SSS members. Employers and payroll administrators should have updated their processes and informed stakeholders of these changes. Staying informed about the increased rates is crucial for compliance with regulations. The Social Security Act of 2018, enacted as RA 11199, established the SSS to protect Filipinos from financial hardships due to various life events. Additionally, the SSS adjusted the Monthly Salary Credits, increasing the minimum to PHP 5,000 and the maximum to PHP 35,000.

For more information, please refer to the KPMG Flash Alert or reach out to Karen Jane Vergara, partner, Tax, KPMG Philippines, at kvergara@kpmg.com or Jozette Issel Dizon, partner, Tax, KPMG Philippines, at jgdizon@kpmg.com.

Thailand: Returning Thai skilled workers could benefit from targeted tax reductions

On March 24, 2025, Thailand's cabinet approved a Royal Decree that provides substantial tax incentives aimed at attracting highly skilled Thai professionals to return to Thailand to support the country's economic growth and key industries. By offering a reduced personal income tax rate of 17 percent and corporate tax exemptions on 50 percent of salary expenses, the policy aims to make Thailand more attractive to returning talent.

KPMG observation:

The decree offers a reduced personal income tax rate of 17 percent and corporate tax exemptions on 50 percent of salary expenses for targeted industries, aiming to enhance workforce skills and tax efficiency. The reduced tax rate applies from March 25, 2025 to December 31, 2029. Eligible individuals must be Thai nationals with a bachelor's degree or higher, have at least two years of work experience abroad, and meet specific residency requirements.

Companies in targeted industries can benefit from these tax exemptions if they comply with the decree's rules and procedures. KPMG advises companies to assess talent acquisition strategies and ensure compliance with notification requirements to leverage these tax benefits effectively. Early planning and proper documentation are crucial for successful implementation, and consulting with tax professionals is recommended to navigate the eligibility criteria and procedural requirements.

For more information, please refer to our KPMG Flash Alert or contact Panisa Sriheara, director, Tax, KPMG Thailand, at panisa@kpmg.co.th; or Araya Apiboonchaikru, manager, KPMG Thailand, at arayaa@kpmg.co.th; or Tanakorn Jennanachok, associate director, KPMG Thailand, at tanakorn@kpmg.co.th.

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