Summary of Social Security in Taiwan

Eligibility: Labour Insurance Programme (LI) applies to companies with 5 or more staff above age 15 and under age 60. Almost all employees are covered under Taiwan Labour Standards Law (TLSL) and Labour Pension Act (LPA). Citizens in Taiwan and those from Hong Kong, Macao China or foreign citizens residing in Taiwan are all obliged to enrol in the National Health Insurance Scheme.

Retirement Age: 60M/55F subject to a minimum participation of 1 year.

Contributions: The most important compulsory employee benefit, Labour Insurance, is financed by the employer (70%), the employee (20%) and the government (10%).

Retirement Benefits: From January 1, 2009, three retirement benefit schemes are available:
- Old age lump sum (LI)
- Old age pension (LI)
- Retirement lump sum (TLSL scheme or LPA)

Disability Benefits: For those who suffer from permanent disability, lump sum payment or disability pension would be provided according to the degree and the cause of the disability.

Death Benefits: Funeral grant (LI)
Survivors’ lump sum benefit (LI)
Survivors’ Pension (LI)

Medical Benefits: Medical care benefits for ordinary injury/sickness are covered by the National Health Insurance, while medical benefits for occupational injury/sickness are paid by the Labour Insurance Programme.
Private Benefit Plans

Eligibility
All employees must be actively in work on the date of their enrolment in group insurance.

Retirement Age
60M/F

Contributions
Group insurance plans are normally non-contributory for employees, but contributory for dependants’ benefits.

Retirement Benefits
Retirement plans traditionally provide lump sum benefits. Voluntary occupational retirement plans are normally modelled on the TLSL retirement provisions.

Disability Benefits
Dismemberment benefits may be payable under accidental death and dismemberment policies. At present, long-term disability plans are not available.

Death Benefits
Typical group life and accidental death and dismemberment coverage is 24 to 36 times the monthly base salary.

Medical Benefits
Employer-provided medical plans which complement the NHI benefits are common, especially amongst subsidiaries of foreign companies. Hospitalisation coverage is provided, but no dental insurance plans.

Vesting
Typical vesting schedule is 25% after five years of service and 100% after 20 years of service.

Taxation

Employer Contributions
Premiums of Labour Insurance Programme & National Health Insurance contributed by employer are tax-deductible. Employer contributions to retirement plans are subjected to the Taiwan labour standards law and are tax-deductible up to 15% of payroll. Employer contributions for group insurance are deductible as expenses up to the maximum of TWD 24,000 per year per person.

Employee Contributions
Employee contributions to the Labour Insurance Programme for voluntary occupational plans are tax-deductible up to the maximum of TWD 24,000 per year as part of the personal allowances for income tax.

Benefits
Labour insurance benefits and death and medical benefits are tax-free. Taxation of retirement benefit varies for lump sum payments and for annuities.
II  INTRODUCTION

Country Statistics

<table>
<thead>
<tr>
<th></th>
<th>23,433,753 (2014 est.) / 0.257 % (2014 est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population/growth rate</td>
<td></td>
</tr>
<tr>
<td>Age structure</td>
<td></td>
</tr>
<tr>
<td>0-14 years:</td>
<td>13.99%</td>
</tr>
<tr>
<td>15-64 years:</td>
<td>74.02%</td>
</tr>
<tr>
<td>65 years and over:</td>
<td>11.99% (2014 est.)</td>
</tr>
<tr>
<td>GDP</td>
<td>USD 508.2 billion (2014 est.)</td>
</tr>
<tr>
<td>Real growth rate</td>
<td>3.43% (2014 est.)</td>
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<tr>
<td>Agriculture</td>
<td>1.4%</td>
</tr>
<tr>
<td>Industry</td>
<td>27.5%</td>
</tr>
<tr>
<td>Services</td>
<td>71.1% (2014 est.)</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>3.79% (2014 est.)</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>1.2% (2014 est.)</td>
</tr>
<tr>
<td>Annual gross salary*</td>
<td>in ,000 TWD</td>
</tr>
<tr>
<td>Semi-professionals</td>
<td>General: 511   Skilled: 749</td>
</tr>
<tr>
<td>Professionals</td>
<td>Junior: 1,097  Senior: 1,606</td>
</tr>
<tr>
<td>Management</td>
<td>Lower: 2,353  Upper: 3,997</td>
</tr>
<tr>
<td>Legal minimum wage</td>
<td>TWD 19,273 per month, TWD 115 per hour in 2014</td>
</tr>
<tr>
<td>Exchange rate on February 27, 2015</td>
<td>1 TWD = 0.0318 USD</td>
</tr>
<tr>
<td>Currency: Taiwan Dollar</td>
<td>1 TWD = 0.0284 EUR</td>
</tr>
</tbody>
</table>

*Source: Mercer’s International Geographic Salary Differentials, Edition 2015

Legislation and Insurance Market Update in Brief

No major changes in 2014.
Background Information

The Constitution of Taiwan states that the government has the responsibility to improve and protect the livelihood of the labour force. The Taiwan Labour Standards Law (TLSL) and Labour Insurance Act (LI) protect the rights, obligations and statutory benefits of the workers in Taiwan. The National Health Insurance Scheme (NHI) offers health coverage to all residents in Taiwan.

The Labour Insurance Programme was first introduced by the Taiwan Provincial Government in January 1950 in pursuit of social policies in accordance with the principles of social well-being. After July 1956, in-patient hospitalisation benefits for sickness were included in the programme. In July 1958, the central government introduced the Labour Insurance Act (LI), and in 1970 it launched out-patient medical care benefits for sickness. In 1979, the Labour Insurance was divided into two major categories: Ordinary injury/sickness insurance and occupational injury/sickness insurance. After the National Health Insurance Scheme (NHI) came into effect on March 1, 1995, the medical care benefits for ordinary injury/sickness were provided by the Bureau of National Health Insurance. After January 1, 1999, unemployment benefits were also included, which is referred to as Employment Insurance. Since January 1, 2009, the LI scheme has started providing pension benefit as an alternative method of payment.

The Taiwan Labour Standards Law (TLSL) was introduced on August 1, 1984 to provide minimum standards of labour conditions, protect workers rights' and interests, provide compensation for occupational accidents and retirement benefits, and strengthen the labour management relationship, as well as to promote social and economic development.

The Labour Pension Act (LPA), a modified alternative of the TLSL retirement scheme, was announced by the President on June 30, 2004 and became effective on July 1, 2005. The purpose of the act is to enhance the protection of employees' lives after retirement. The main system under LPA is the “individual pension fund account”, supplemented by the “annuity insurance” system. Employers with over 200 employees may purchase annuity insurance, provided that they obtain the consent of a labour union or, if no labour union exists, they must obtain the consent of over half of their employees. For new entrants to the employment market, the Taiwan Labour Standards Law, a defined benefit provision, has been replaced by the Labour Pension Act, a portable defined contribution plan.

Eligibility

- Labour Insurance (LI): Workers employed by a unit with more than five employees, and above 15 full years and below 65 years of age
- Labour Pension Act scheme (LPA scheme): All employees in every industry
- Employment Insurance (EI): Every employed native worker above 15 full years and below 65 years of age
- National Health Insurance (NHI): All nationals who have been domiciled in Taiwan over 4 months, and every employee
Contributions

The current wage ceiling for Labour insurance is TWD 43,900 per month. The premium rate of the LI is 9% for ordinary injury/sickness coverage. Insured persons contribute 20%, the employers contribute 70% and the government contributes the remaining 10% of the premium.

Among the 55 types of industry, the premium rate of the Labour Insurance Programme is 0.09% to 1.06% for occupational injury/sickness coverage. The employers contribute for 100% of the premium.

Under EI, which includes provision of the parental leave allowance, employer contributions are equal to 0.7% of the employee’s insured salary, employee contributions are 0.2% and the government contributes with 0.1% of the employee’s insured salary.

The TLSL scheme is 100% funded by employers. The funding standard has been established by the government with a broad range of 2% to 15% of payroll.

The LPA pension benefits are funded by employers. The employer’s monthly contribution to the Labour Pension Fund shall not be less than 6% of the employee’s monthly wages (defined contribution). Employees may make voluntary monthly contributions to their own pension fund account of up to 6% of their monthly wages. The full amount of the voluntary pension contribution made by an employee is tax-deductible.

The NHI premium is currently fixed at 4.91% of the employee’s insured earnings, of which the employer bears 60% and the employee 30%, with the remaining 10% borne by the government. For NHI the ceiling is TWD 182,000 per month. There is a schedule of insured salaries ranging between TWD 19,273 and TWD 182,000 per month. NHI contributions must be paid for employees and each of their dependants.

<table>
<thead>
<tr>
<th>Coverage for</th>
<th>% of Salary Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>2.946</td>
</tr>
<tr>
<td>Employee</td>
<td>1.473</td>
</tr>
<tr>
<td>Dependants</td>
<td>2.0622</td>
</tr>
<tr>
<td></td>
<td>1.473/each</td>
</tr>
</tbody>
</table>

In addition to paying 1.473% of the insured salary, the employee also pays 1.473% for each dependant, up to a maximum of 4.419%. The employer pays 0.7 dependant’s premiums for each employee no matter how many dependants the employee has (0.7 is the current national average number of dependants per employee). Therefore the premium rate that the employer actually bears is 5.0082% for each employee (2.946% for the employee plus 2.946% x 0.7 for dependants).
Retirement Benefits

Retirement Age

- Labour Insurance scheme:
  - Old age Pension: Age 60 with 15 years of service
  - Old age lump sum payment: Age 60 with less than 15 years of service
  - Old age Benefit: For those who joined the LI before January 1, 2009
    60M/55F subject to a minimum participation of 1 year
    55M subject to a minimum participation of 15 years
    50M/F subject to a minimum participation of 25 years
    Subject to a minimum 25 years of service in the same company
- PLA scheme: Benefits are only paid at age 60
- TLSL scheme: Benefits are only payable to those who joined the work force before the PLA was enacted. The payment will be granted at age 60, or age 55 with 15 years of service, or 25 years of service, or upon mental or physical disability.

Qualifying Conditions

See retirement age above.

Benefits

Labour Insurance Scheme

Old-age Pension: The benefit is calculated according to one of two formulae:
- Average Monthly Insured Salary x coverage year x 0.775% + 3,000
- Average Monthly Insured Salary x coverage year x 1.55%

The Bureau of Labour Insurance will use the formula that is more favourable to the insured.

Old-age lump sum: One month of average monthly insured salary for each year of service.

Old-age Benefit: One month of average monthly insured salary for each of the first 15 years of service plus two months of average monthly insured salary for each succeeding year. Maximum 45 average monthly insured salaries for regular retirement and 50 average monthly insured salaries for late retirement.

LPA Scheme

The LPA provides a lump sum pension payment to the employee whose seniority is less than 15 years. The principal and accrued returns in an employee’s personal pension account are claimed in full at one time.

The LPA provides monthly pension payments to an employee whose seniority is more than 15 years. The principal and accrued returns in an employee’s personal pension account are paid in fixed instalments. The amount of each instalment shall be calculated based on the annuity table, the average life expectancy, the interest rate and on other factors.
Disability Benefits

Qualifying Conditions
- Disability Pension: the disability is categorized as permanent and incapable of working for the rest of the life.
- Disability lump sum payment: A. the disability is categorized as permanent but NOT incapable of working for the rest of the life or B. qualified for disability pension and joined the LI before January 1, 2009.

Benefits
- Disability Pension: The benefit is calculated according to the formula: average monthly insured salary x coverage year x 1.55%, with the minimum amount of TWD 4,000. There is a 25% increase for each qualified dependant, up to the maximum of 50%. Additional 20 average monthly insured salary lump sum payments would be granted if the disability was caused by occupational hazard.
- Disability lump sum payment: UP to 40 months’ insured earnings will be provided.

Death Benefits

Qualifying Conditions
- Funeral Benefit: payable to the survivors of the insured during the insured period.
- Survivors’ lump sum payment: the insured must have joined the LI before January 1, 2009. The payment is only payable should there be qualified survivors.
- Survivors’ Pension: A. the insured was under the LI scheme, or B. the insured was receiving old age/disability pension, or C. the insured with early retirement who had more than 15 years contribution.

Benefits
- Funeral benefit: 5 months of average monthly insured salary is payable if there’s any qualified dependant. 10 months of average monthly insured salary are payable to the person who held the funeral should there be no qualified dependant.
- Survivor’s lump sum benefit: The amount varies from 10 to 30 months of average monthly insured salary according to coverage year. 40 average monthly insured salary if the disability was caused by occupational hazard.
- Survivors’ Pension: The benefit is calculated according to the formula, average monthly insured salary x coverage year x 1.55%, with the minimum amount of TWD 3,000. Up to 50% increase should there be more than one qualified survivor. Additional 10 average monthly insured salary lump sum payments would be granted if the death was caused by occupational hazard.

Sickness Benefits

Qualifying Conditions
Sickness benefits are paid to employees who suffer from incapacity due to accident or illness.

Benefits
The Labour Insurance Bureau pays 50% of average insured wage for ordinary injury/sickness for up to a maximum of one year.
Under the TLSL an employee will be granted sick leave for up to one year for hospitalisation or 30 days if not hospitalised – subject to a combined maximum of one year. The employee is entitled to 50% of pay during the first 30 days of sick leave.

For work injury/sickness, please see Work Injury Benefits.

**Medical/Health Benefits**

**Qualifying Conditions**

Since March 1, 1995 all people have been covered by the National Health Insurance.

**Benefits**

Treatment for sickness, injury and maternity is covered by National Health Insurance. The insureds should only cover the co-payment for each out-patient and hospitalisation treatment. The following applies:

- **Out-patient:** TWD 50 to TWD 450
- **Hospitalisation:** 5% to 30%

Co-payment does not apply in case of serious injury or illness, childbirth or preventive health care. The list of exclusions states transportation charges, eyeglasses, wheelchairs, crutches and other appliances, cosmetic surgery, the cost of blood and non-prescription drugs.

Medical care benefits for ordinary injury/sickness are covered by the National Health Insurance, while medical benefits for occupational injury/sickness are paid by the Labour Insurance Programme. The co-payment paid by the insured would also be covered by LI.

**Work Injury Benefits**

**Qualifying Conditions**

Work Injury Benefits are paid to employees who died or suffer from incapacity due to occupational accident or illness.

**Benefits**

- **Medical/Health Benefit:** The co-payment paid by the insured would be covered by LI.
- **Sickness Benefit:** For occupational injury/sickness, the Labour Insurance Bureau pays 70% of average insured wage for the first year, then reducing to 50% during the second year. According to TLSL, the employer should offer full pay (not insured wage) for occupational injury/sickness during the first 2 years of medical treatment.
- **Disability Benefit:** See Disability Benefit above for benefit payable from LI. Under TLSL, if the employee has not recovered after 2-years of treatment, the employer should make a lump sum payment of 40 months’ full pay (not insured wage).
- **Death Benefit:** See Death Benefit above for benefit payable from LI. Benefits granted by TLSL; full pay for occupational injury/sickness during the first 2 years of medical treatment.

The benefit payable by the LI can be integrated into the regulation of TLSL.
Unemployment Benefits

Qualifying Conditions

An insured with accumulated 1 year of service in the past three years who has involuntarily left work and has registered at a public employment service institution but has not been offered a job or vocational training within 14 days of registration.

Benefits

Unemployment benefits are calculated on the basis of 60% of the average insured wage (based on a 6-month period) and will be paid in monthly instalments to the insured employee for a maximum of 6 months. Unemployment benefits are calculated from the 15th day after the insured person filed the application to seek a job.

For those who get a job during the unemployment period and whose monthly income, plus unemployment benefit payment, is in excess of 80% of the average insured wage, that excess portion will be subtracted from the unemployment benefit payments, except when the total amount is less than the legal minimum wage.

Other Benefits

Maternity Benefits

Maternity benefits are paid to women who have made at least 280 days of contributions prior to confinement and who have made at least 181 days of contribution prior to premature delivery. Benefits are paid in the form of a lump sum grant of one month’s insured earnings for normal and premature labour and 15 days’ insured earnings for a miscarriage.

Severance Pay

The TLSL provides for severance pay of 1 month’s average wage (based on a 6-month period) per year of service. The TLSL has no provisions for partial vesting of retirement benefits.

The LPA provides for severance pay of the half-monthly average wage for each year of service. The total severance pay shall not exceed six monthly average wages.

Taxation

Contributions

The premium for Labour Insurance Programme & National Health Insurance financed by the employer is tax-deductible. Employer contributions to retirement plans subject to the Taiwan Labour Standards Law is deductible up to 15% of payroll.

Employee contributions for all types of insurance (including social security and group insurance) are tax-deductible up to a maximum of TWD 24,000 per annum. Besides this, all of the employee contributions for NHI are tax-deductible. This applies if the employee chooses the separate listing expense model in reporting annual personal income tax.
Benefits

Labour insurance benefits are tax-free. Taxation of retirement benefit varies for lump sum payments and for annuities.

Other Information

Reciprocal Social Security Agreements

None.
IV  PRIVATE BENEFIT PLANS

Background Information

There are no provisions for mandatory private employee benefits other than the Taiwan Labour Standards Law (TLSL) and Labour Pension Act (LPA), which requires employers to provide retirement benefits. Voluntary occupational retirement plans are modelled on the TLSL retirement provisions. Employers are required to file their plan documents with the government for approval and to form a Retirement Fund Supervisory Committee. The committee members are made up of employer and employee representatives.

Most enterprises utilise private group insurance covering death, medical etc., as an extra employee benefit. Life insurance companies cannot participate in retirement plans for industries covered under the TLSL.

Eligibility

All employees must be actively at work on the date of their enrolment in group insurance.

Contributions

Group insurance plans are normally non-contributory for employees, but contributory for dependants' benefits.

Retirement Benefits

Retirement Age

Normal retirement: 60M/F

Benefits

Retirement plans traditionally provide lump sum benefits.

With the TLSL in force, there are 2 categories of employers. Under the TLSL, employers have adapted their existing plans so as to provide at least the legal minimum. Where plans are more generous than the legal minimum provides, companies have tended to maintain their previous benefit levels.

Vesting

The TLSL makes no provision for partial vesting with respect to retirement benefits in the event of resignation, but some companies provide leaving service benefits under a separate non tax-deductible programme. A significant number of companies, which until 1998 were not subject to the TLSL, now provide vesting in their retirement plans. Typical vesting schedule is 25% after five years of service and 100% after 20 years of service.
Disability Benefits

Dismemberment benefits may be payable under accidental death and dismemberment policies (see Death Benefits). At present, long-term disability plans are not available.

Death Benefits

Typical group life and accidental death and dismemberment coverage is 24 to 36 times the monthly base salary.

Medical/Health Benefits

Group hospital and medical plans for salaried staff are quite popular, especially among foreign companies. The benefits are in addition to those provided by the national health programme and must be integrated. An average plan provides the following benefits:

<table>
<thead>
<tr>
<th>Medical Schedule</th>
<th>Maximum Reimbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital</td>
<td></td>
</tr>
<tr>
<td>Daily benefit for room and board</td>
<td>TWD 1,000 - 2,000</td>
</tr>
<tr>
<td>Maximum number of days per disability</td>
<td>60</td>
</tr>
<tr>
<td>Hospital services</td>
<td>TWD 50,000</td>
</tr>
<tr>
<td>(other than room and board)</td>
<td></td>
</tr>
<tr>
<td>Out-patient treatment</td>
<td>TWD 400</td>
</tr>
<tr>
<td>Surgery and anaesthesia</td>
<td>TWD 75,000</td>
</tr>
<tr>
<td>Doctor's Visits in Hospital</td>
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</tr>
<tr>
<td>Each daily visit</td>
<td>TWD 750 - 1,000</td>
</tr>
<tr>
<td>Maximum number of visits per disability</td>
<td>60</td>
</tr>
<tr>
<td>Doctor's visits office</td>
<td>TWD 750</td>
</tr>
<tr>
<td>Doctor's visits home</td>
<td>TWD 1,000</td>
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<tr>
<td>Maternity Benefits</td>
<td></td>
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<tr>
<td>Normal</td>
<td>100%</td>
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<tr>
<td>Caesarean</td>
<td>150% of TWD 20,000</td>
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<tr>
<td>Miscarriage</td>
<td>50%</td>
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</tbody>
</table>

Sickness and Work Injury Benefits

No separate schemes. The risks are covered by TLSL.

Other Benefits

Fringe benefits, such as company cars, club membership and interest free loans vary significantly. Most companies restrict these benefits to senior or key personnel.
**TAIWAN**

**Taxation**

*Employer contributions*

Employer contributions for group insurance, accidental death and dismemberment and medical plans are deductible as expenses up to the maximum of TWD 24,000 per employee.

*Employee contributions*

Employee contributions to group term life and medical plans, or group life with maturity benefit, are tax-deductible up to the maximum of TWD 24,000. This applies if the employee chooses the separate listing expense model in reporting annual personal income tax.

**Benefits**

Group insurance benefits are tax-free.

Taxation of retirement benefit varies for lump sum payment and for annuity as follows:

**Lump Sum Payment**

<table>
<thead>
<tr>
<th>Benefit Amount</th>
<th>Below A</th>
<th>Between A and B</th>
<th>Over B</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of the amount that should be taxed</td>
<td>0</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

A = TWD 161,000 multiplied by number of years served
B = TWD 322,000 multiplied by number of years served

**Annuity**

Total annual benefits below TWD 697,000 are tax-free, if above this amount, the part in excess of TWD 697,000 should be taxed.

**Double Taxation Agreements**

Australia, Belgium, Denmark, France, Germany, Gambia, Hungary, India, Indonesia, Israel, Malaysia, Macedonia, the Netherlands, New Zealand, Paraguay, Senegal, Singapore, Slovakia, South Africa, Sweden, Swaziland, Switzerland, Thailand, the United Kingdom and Vietnam.

Source: Taxation Administration, Ministry of Finance, Taiwan.