

Statutory Benefits in Taiwan for Employees

Understanding Taiwan's Labor Regulations

Statutory benefits are compulsory in Taiwan and include Labor Insurance, National Health Insurance, and Pension. Contribution rates for Labor and Health Insurance vary depending on salary scale tables, while pension rates are set at a fixed percentage.

Types of Statutory Benefits

Statutory benefits are compulsory and include the following:

1. Labor Insurance
2. National Health Insurance
3. Pension

Who bears the cost and how much?

The costs of Labor Insurance and National Health Insurance are shared among the company, the employee, and the government.

In the case of Health Insurance, the employee contributes approximately 30% of the premium, the company contributes approximately 60% of the premium, and the government subsidizes the remaining 10% of the premium.

In the case of Labor Insurance, the employee contributes approximately 20% of the premium, the company contributes approximately 70% of the premium, and the government subsidizes the remaining 10% of the premium.

Starting on 1 July 2005, companies became responsible for contributing a minimum of 6% of employees' salaries into an employee pension fund account. The employee may also, at their

own discretion, contribute any amount up to 6% towards the pension fund account (expatriates are not permitted to participate in this pension program unless they are married to ROC nationals or have permanent resident status).

Please note that contribution rates for statutory benefits vary depending on the salary scale table. Also, the premium table applicable to the registered responsible person of the company differs from the premium table applicable to other employees. In general, the company's registered responsible person is required to pay a higher premium. Please refer to the below example calculations for reference.

Example 1 (Taiwan branch manager with no dependents earning TWD 42,000 per month)

| Contribution by | National Health Insurance | Labor Insurance (excluding occupational incident insurance) | Pension | Total |
|-----------------|---------------------------|---|---------|-------|
| Company | nil | 3,381 | nil | 3,381 |
| Branch Manager | 2,171 | 966 | 0~6% | |

Example 2 (Taiwan Employee with no dependents earning TWD 42,000 per month)

| Contribution by | National Health Insurance | Labor Insurance (excluding occupational insurance) | Pension | Total |
|-----------------|---------------------------|--|---------|-------|
| Company | nil | 3,381 | nil | 3,381 |
| Employee | 2,171 | 966 | 0~6% | |

| | incident insurance) | | | |
|----------|---------------------|-------|-------|-------|
| Company | 2,032 | 3,675 | 2,520 | 8,227 |
| Employee | 651 | 1,050 | 0~6% | |

ROC nationals or have permanent resident status.

What benefits are provided under each program?

Due to factors such as an aging population, advancement of medical technology, increases in medical benefits, and existing financial distress, the Taiwan government implemented the 2nd Generation NHI scheme¹ to collect additional income for the NHI program through additional premiums, effective from 1 January 2013. The additional premium to be collected under this scheme is known as the “supplementary NHI premium.”

How is the premium paid?

The employer deducts the portion of the premium payable by the employee from the employee’s monthly paycheck. This amount is usually booked under the “temporary receipts” account on the balance sheet. The government generally sends monthly billing statements to companies approximately one month later. The bill covers the premiums due from both the company and the employee. Companies have 15 days to settle the bill.

Who can enroll?

In principle, all of the statutory benefits listed above are compulsory, and all employees must enroll, with the following exceptions:

1. A one-person business managed by the owner cannot participate in the Labor Insurance and pension program.
2. Ordinary Labor Insurance is not compulsory for companies employing less than 5 employees.
3. Foreigners working in Taiwan cannot participate in the government-managed new pension program unless they are married to

National Health Insurance

The National Health Insurance scheme applies to all individual residents of Taiwan, as well as foreign employees and their dependents. Participation in the scheme is compulsory, and fines are imposed for non-compliance.

The benefits provided include hospital care, medical consultation and treatment, and maternity and general health care benefits.

Please refer to the following government website for an overview of the program.

<https://www.nhi.gov.tw/en/mp-2.html>

Labor Insurance

The benefits provided by Labor Insurance include maternity benefits, injury or sickness benefits, disability benefits, old-age benefits, death benefits, medical-care benefits in the event of an occupational injury, unemployment payout, and overdue wage protection.

For more information relating to Labor Insurance, please visit the following government website:

<https://www.bli.gov.tw/en/0007454.html>

Pension

Starting 1 July 2005, all business entities in Taiwan became responsible for enrolling employees in personal pension fund accounts with the Bureau of Labor Insurance (Also known as the new pension system). These personal pension funds are centrally managed by the Bureau of Labor Insurance. Once an employee reaches the age of 60, they may draw retirement funds out of the employee pension fund account.

¹ For more information relating to the supplementary NHI premium, please refer to our article entitled “2nd Generation National Health Insurance Scheme.”

Under the old pension fund, an employer needs to contribute a fixed percentage of applicable salary into a company pension fund account. The pension fund is centrally managed by the Bank of Taiwan. The fund needs to be valued annually by an actuary to determine whether it is sufficiently funded or not. Employees who are still working for the same employer since 1 July 2005 can opt to stay with the old pension fund (defined benefit plan).

Expatriate employees must join the old pension fund unless they are married to ROC nationals or have permanent resident status. An expatriate married to an ROC national or has permanent resident status can only join the new pension scheme if they are not already on the old pension fund.

Can an employer offer additional benefits to employees?

Most business entities provide employees only with the statutory benefits listed above. However, some employers elect to purchase additional group life insurance for employees. This is permissible under Taiwan's tax law, and a premium of up to TWD 2,000 per employee per month is not considered to be a taxable benefit for employees.

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