

## Individual tax alert

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#### Belgium-India social security agreement – 5 year threshold approaches

The Belgium-India bilateral social security agreement, which was implemented on 1 September 2009, allows employees temporarily seconded to Belgium by their Indian employer to maintain their Indian social security coverage and to be exempt from the Belgian social security system during the period of their assignment. This entails a substantial cost benefit for the Indian employer.

This possibility of “secondment” is stipulated in the bilateral agreement for a period of maximum 5 years, meaning that the first 5-year period expires on 31 August 2014. After this 5 year period, the agreement foresees that the host country’s local social security legislation becomes applicable, resulting in the transfer of the employee’s coverage to the local (Belgian) social security system.

However, the Belgian social security administration has confirmed that the 5-year period can exceptionally be extended on an individual basis, provided that a prior agreement by the social security administrations of both countries has been obtained. According to the Belgian social security administration, an exceptional extension of an additional year can be requested in the following situations:

- In case a seconded employee will need to finalise duties in the host country;
- If the seconded employee is approaching retirement age;
- If an extensive restructuring within the company were to take place, changing/extending the task for which the employee was seconded.

It should be noted that the Belgian social security administration is willing to grant an exceptional extension under the strict condition that the employee will no longer work in the host country’s territory after the additional extension period. If the seconded employee continues working in the host country after the extended period, his/her coverage will in principle be retroactively transferred to the host country’s social security legislation as of the exceptional extension’s start date.

The Indian social security authorities have in fact not yet shared their view on the exceptional extension possibilities.

If none of the three grounds for extension apply and provided that the employee should continue to work in the host country beyond the 5 year seconded period, other options are available to mitigate the considerable social security burden of the Belgian social security scheme for employees. However, these options will only apply in a limited number of individual cases.

Deloitte Belgium's immigration and social security services team is readily available to provide more detailed information.

## Contact

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