



Global Employer Services Alert Harmonizing global & local perspectives

Recent updates on India's Social Security Agreements

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Background

The social security environment in India is dynamic with totalization agreements being notified regularly. This alert is in connection with the Social Security Agreement ("SSA") between India and Portugal. It also provides a status update on the comprehensive SSA signed between India and Germany on October 12, 2011. With this, the number of notified SSAs of India would be 18 tabulated below.

Country (effective date)		
Belgium (September 1, 2009)	Switzerland (January 29, 2011)	Denmark (May 1, 2011)
Luxembourg (June 1, 2011)	France (July 1, 2011)	Korea (November 1, 2011)
Netherlands (December 1, 2011)	Hungary (April 1, 2013)	Sweden (August 1, 2014)
Finland (August 1, 2014)	Czech Republic (September 1, 2014)	Norway (January 1, 2015)
Austria (July 1, 2015)	Canada (excl. Quebec) (August 1, 2015)	Australia (January 1, 2016)
Japan (October 1, 2016)	Germany - comprehensive (May 1, 2017)	Portugal (May 8, 2017)

SSA between India and Portugal

- The SSA was signed on March 4, 2013, but was not notified pending completion of administrative and legal procedures between the Governments.
- With Portugal informing the Indian counterparts of the completion of internal procedures at its end and Article 22 of the SSA providing that the agreement would come into force 90 days from the completion of the procedures, it is now expected to be in force from May 8, 2017.
- The SSA shall apply to a person who is or has been subject to legislation of either of the two countries and also to the members of their family and their survivors.
- It provides for three kinds of benefits, viz. detachment, export of benefit and totalization. Detachment benefit is available where the anticipated period of posting to Portugal does not exceed 60 months.
- As per the Ministry of External Affairs, the agreement will favourably impact the profitability and competitive position of Indian and Portuguese companies with foreign operations in either countries by reducing their cost of doing business abroad.

Comprehensive SSA between India and Germany

- An agreement on Social Insurance between India and Germany was signed on October 8, 2008. This agreement came into force on October 1, 2009 but provided only for detachment benefit.
- Further to this, the Government of India had negotiations with the Government of the German Republic for a comprehensive agreement which was signed on October 12, 2011.
- India and Germany have exchanged instruments of ratification on February 24, 2017. Hence, it has now been announced that the SSA will come into force from May 1, 2017.
- Under the comprehensive agreement,
 - Indian workers shall be able to receive the host social security benefits in their country of residence (export of benefits);
 - The period of contribution in one contracting state will be added to the period of contribution in the second contracting state for determining the eligibility for social security benefits (totalization benefit).

Comments

Notification of the SSA with Portugal will enable Indian employers having outbound employees to Portugal to apply for Certificates of Coverage (CoC) provided India PF is continued. This in turn could assist in optimizing social security costs. Further, foreign nationals on assignment to India can now be exempted from contributing to India PF, provided they continue the contributions to Portuguese social security schemes and have a CoC from the authorities there. Additionally, foreign nationals from Portugal who have contributed to India PF will be eligible for withdrawal of the accumulated balances in their provident fund accounts on repatriation from India.

The notification of the comprehensive agreement with Germany will widen the benefits to mobile employees to/from Germany. These individuals would be able to totalize the contribution periods in both contracting states to determine pension entitlement besides being able to export the benefits.

Employers with mobile population to/from Portugal and Germany would be well advised to review their deputation arrangement in order to leverage on the above developments.

Source

https://www.mea.gov.in/pressreleases.htm?dtl/28098/Agreement_on_Social_Security_between_India_and_Germany

https://www.mea.gov.in/pressreleases.htm?dtl/28078/India_Portugal_Social_Security_Agreement

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