

Deputation of Japanese nationals to India - Focus areas



1 One time planning

- Assignment structuring viz Payroll transfer, Home country payroll, Split payroll
- Optimising on tax and social security costs
- Determining Pay for the purpose of Provident Fund (PF)
- Identifying India Tax positions relating to social security contributions, citizen tax
- Aligning documentation from tax, social security and immigration perspectives



2 Arrival in India

- Tax registration (PAN)
- Immigration formalities (FRRO)
- Social security filing (IW - 1)
- Filing certificate of coverage (CoC) where detachment is availed

3 Ongoing assignment

- Monthly tax withholdings, quarterly filings
- Monthly PF remittances where applicable
- Visa extensions, Residential Permit (RP), change of address, Renewals for FRRO

5 At the time of Repatriation

- Tax clearance formalities
- Process for capturing trailing liabilities
- Form 10 filing by employer
- PF withdrawal process
- Surrender of RP

4 Year end compliances

- Salary and tax withholding certificate (Form 16)
- Annual tax return filings
- Submission of tax returns to FRRO where stipulated in RP



India Japan Social Security Agreement – Way Forward

Determine availability of detachment benefit – apply for CoC in Japan
Obtain CoC, stop PF and Pension contributions

Upon repatriation

Apply for withdrawal of PF contributions

Caution

Ensure remediation of past non-compliances if any



India Japan Social Security Agreement (SSA) - Focus on Japanese Nationals

India Social Security regime

- SSA is effective 1 October 2016
- Foreign Nationals employed with a covered establishment considered as “International Workers” (IWs)
- Mandatorily required to contribute to India PF and Pension Schemes
- Wage ceiling not applicable
- Employer and employee contributions at 12% of Pay as defined under regulations
- Employer contribution of 8.33% of Pay diverted to pension account (only 3.67% goes to PF). However pension applicability for new members effective 1 September, 2014 to be determined

Key concerns

- Employer to tag foreign nationals as IWs by filing Form IW - 1 declaring nationality and wage details
- PF and Pension contributions to be remitted monthly
- Employers have a compliance risk where PF is being remitted only on India salary i.e. salary paid in Japan is not considered for India PF purposes

How does the SSA help

- Exemption from India PF and Pension contributions available where home country contributions are continued and a CoC is obtained
- Significant savings – 24% of Pay plus gross up for tax purposes
- Withdrawal of PF contributions upon repatriation

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