

# GMS Flash Alert

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## India - Totalisation Agreement with Japan Entered into Force on 1 October

The Social Security Agreement between India and Japan that was signed on 16 November 2012, came into force on 1 October 2016. India's Ministry of External Affairs issued a press release<sup>1</sup> notifying that the Social Security Agreement (SSA) was to come into effect from 1 October 2016.<sup>2</sup>

The India-Japan SSA is the 17th SSA to come into effect – the countries with which India already has effective SSAs are listed in the table in Appendix A.

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### WHY THIS MATTERS

The primary purpose of the SSA is to help ensure that workers on international assignment from one country to the other will not pay double social security taxes. This can help to mitigate the costs of Japan-to-India and India-to-Japan international assignments.

Also, this SSA fosters the principle of reciprocity in respect of benefits accrued by employees who are posted to the other country by their employers. This should help employees trying to decide whether to take an assignment to Japan or to India to make a positive decision to take the assignment, assured in the knowledge that the social security contributions they make in the one country where they are working on assignment will be added to the period of contributions in their home country for purposes of determining entitlement to benefits.

In general, the existence of an in-force SSA can help enhance commercial and economic activities between Japan and India.

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### Key Benefits under the India-Japan SSA

#### Exemption from Social Security Contributions in the Host Country

The employees of one country posted by their employers in the other country on short-term assignments may be exempted from social security contributions in the host country a period for up to of five years. However, such an

exemption can be availed only after obtaining a Certificate of Coverage (CoC) from the respective authorised agencies of India and Japan.

### **Totalisation of Contributory Periods**

The period of service rendered by an employee in the host country will be added for the purpose of eligibility requirements under the respective social security scheme in the home country, subject to certain conditions.

### **Lump-Sum Refunds**

The benefits acquired by international assignees under their respective social security systems can be paid in lump-sum, subject to conditions.

### **Export of Benefits**

The benefits acquired by international assignees under the social security legislation of one country will be "exportable" to the other country.

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### **KPMG NOTE**

Japanese and Indian employers sending employees to work in the other country should consult with their qualified tax, social security, or global mobility professionals to ascertain:

- the benefits to be derived under the SSA,
- what next steps should be for existing – as well as future – assignees between the two countries, and
- the types of communications, systems, and procedures that will help foster compliance.

Companies that have inbound assignees to India or outbound assignees to Japan may wish to review their assignment policies with a view to making modifications to account for the terms and conditions of the new SSA.

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### **FOOTNOTES:**

1 See: [http://mea.gov.in/press-releases.htm?dtl/27088/IndiaJapan\\_Social\\_Security\\_Agreement](http://mea.gov.in/press-releases.htm?dtl/27088/IndiaJapan_Social_Security_Agreement).

2 Article 28 of the SSA mentions that the Agreement shall enter into force on the first day of the fourth month following the date of receipt of last notification. On 20 July 2016, the two governments exchanged Notes in accordance with Article 28, notifying of the completion of the respective constitutional and legal procedures required for the entry into force of the Agreement.

This article is excerpted, with permission, from "India's Social Security Agreement with Japan Will Come into Effect from 1 October 2016," in *TaxNewsFlash* (21 July 2015), a publication of the KPMG International member firm in India.

## **APPENDIX A**

<b>Country</b>	<b>Effective date</b>
Belgium	1 September 2009
Germany	1 October 2009
Switzerland	29 January 2011
Denmark	1 May 2011
Luxembourg	1 June 2011
France	1 July 2011
Republic of Korea	1 November 2011
Netherlands	1 December 2011
Hungary	1 April 2013
Finland	1 August 2014
Sweden	1 August 2014
Czech Republic	1 September 2014
Norway	1 January 2015
Austria	1 July 2015
Canada	1 August 2015
Australia	1 January 2016

## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professionals with the KPMG International member firm in India:

### **Parizad Sirwalla**

#### **Partner**

Tel. +91 (22) 3090 2010

[psirwalla@kpmg.com](mailto:psirwalla@kpmg.com)

**The information contained in this newsletter was submitted by the KPMG International member firm in India.**

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