

# GMS Flash Alert

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## Switzerland – Social Security Agreement with China Comes into Effect 19 June

The social security agreement ("SSA" or "Agreement") between the People's Republic of China ("China") and Switzerland will enter into force on 19 June 2017.<sup>1</sup> The SSA conforms to the recent social security totalisation agreements Switzerland has concluded and is compliant with international standards.

The Agreement will help facilitate cross-border business and commercial ties and the movement of personnel between the two countries.

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### WHY THIS MATTERS

The bilateral Agreement between China and Switzerland will allow posted workers to be exempt for a maximum of six years from the obligation to contribute to the social security system of the other country, thereby potentially avoiding double coverage of social security contributions for temporary assignments in the other country.<sup>2</sup>

In addition, the execution of the SSA should provide social security protection for international assignees, so that they do not lose their social security benefits entitlement in their home country when they go to work in the other country. The Agreement could positively affect an employee's decision whether to take an assignment to Switzerland or China, assured in the knowledge that the social security contributions he makes in the one country where he is working on assignment will be added to the period of contributions in his home country for purposes of determining entitlement to benefits.

The Agreement simplifies the administration of assignments from China to Switzerland and vice versa, thereby making it easier for international companies to deploy their employees to the other country.

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## Key Terms of the SSA

The SSA covers posted employees and posted self-employed individuals from China to Switzerland and from Switzerland to China including third country nationals. The scope of the SSA covers, from a Swiss perspective, old age and survivors insurance (OASI) and disability insurance (DI), and from a Chinese perspective, pension and unemployment insurance. Rules in regard to the reimbursement of OASI contributions are also included.

Starting 19 June 2017, it will be possible to obtain a Certificate of Coverage for a posted employee to Switzerland from China or for an employee posted from Switzerland to China to remain in the home social insurance system related to old-age, survivors' and disability insurance (OASI/DI) during the period of his or her posting. The maximum duration of posting is 72 months. An extraordinary extension beyond the 72 months is only possible if the respective social security authorities reach an agreement.

The SSA also provides that the accompanying non-employed family members will be allowed to remain insured in the home social security system. Non-employed spouses of Swiss posted employees must register with the social security fund of the posted spouse. The non-employed accompanying family members of posted employees from China remain insured in the Chinese pension scheme.

## Transitional Period

Workers who have already been deployed by their Chinese employers to Switzerland prior to the entry into force of the Agreement must submit (within three months of the SSA coming into force) a Certificate of Coverage to the competent Chinese authorities to remain in their home social security system. This Certificate of Coverage will be valid at the earliest from the date of entry of the SSA.

Workers who have already been deployed by their Swiss employer to China prior to the entry into force of the SSA must submit (within three months of the entry into force of the SSA) a Certificate of Coverage to the competent Swiss authorities. The Certificate of Coverage will be valid at the earliest from the date of entry of the SSA.

As no export of pensions is stipulated in the SSA, a provision concerning the ability to claim a refund of the pension contribution when definitively leaving the country has been included in the Agreement. The entitlement to a refund of the contributions is applicable assuming contributions have been made for a period of at least one year.

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## KPMG NOTE

Employees affected by the transitional period should consider the three-month period in order to apply for a Certificate of Coverage with the competent authorities. Applications should be filed by the beginning of September 2017.

The Agreement also covers third country nationals, meaning that an employee posted from or to Switzerland or China, who is not a national of one of these countries, can also benefit under this SSA.

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## FOOTNOTES:

- 1 For more information (in German), see "[Medienmitteilung Soziale Sicherheit: Abkommen mit China tritt in Kraft](#)" on the website for Switzerland's Bundesrat.
- 2 See (in English), "[Expert Blog social insurance agreement between Switzerland and China comes into effect](#)" published by the KPMG International member firm in Switzerland.

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### **Watch the latest GMS video "The Importance of Certificates of Coverage When Sending Employees Overseas"!**

In this video, featuring Bob Rothery and Stacy Finch with the KPMG LLP (U.S.) Global Mobility Services practice, we delve further into the nuts and bolts of social security totalization agreements and learn about Certificates of Coverage, the "detached worker rule," the application of home versus host country social security rules, in general, to different kinds of assignments, and respective employee and employer obligations and responsibilities. See: "[The Importance of Certificates of Coverage When Sending Employees Overseas](#)," from KPMG's GMS practice (app. 8-1/2 minutes).

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

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