

# GMS Flash Alert

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## Netherlands – Social Security Agreement with China in Force from September 1

The legislatures in the Netherlands and in the People's Republic of China ("China") have now ratified the social security agreement ("SSA" or "Agreement") between the two countries and it will enter into force on September 1, 2017.<sup>1</sup> The SSA will facilitate cross-border commerce and the deployment of cross-border employees between the two countries.

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### WHY THIS MATTERS

The bilateral Agreement between China and the Netherlands will allow posted workers to be exempt from the obligation to contribute to the social security system of the other (host) country for a maximum of five (5) years, thereby potentially avoiding double social security contributions for temporary assignments in the other country.

In addition, 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. This could positively affect an employee's decision whether to take an assignment to the Netherlands or China, assured in the knowledge that the period he is working on assignment abroad will be added for purposes of determining entitlement to future benefits.

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

Assignees already in place need to make an application for a Certificate of Coverage ("CoC"); it must be submitted, and the CoC granted and registered within six (6) months of September 1, 2017. Therefore, applications for CoCs should be made promptly on behalf of affected assignees.

## Interesting to Note

As of September 1, 2017 employees seconded to China can remain partly insured for social security purposes in the Netherlands for a maximum period of five (5) years (see below for a discussion of which coverage continues while working abroad). Those already in China are also eligible for up to five years. Family members that relocate along with the secondees are also covered (Dutch state pension and surviving dependents insurance), unless they work in China themselves.

## Certificate of Coverage (CoC)

For the purposes of the treaty, a CoC is mandatory. In the Netherlands, the CoC must be applied for at the Social Insurance Bank (*Sociale Verzekeringsbank*). The issued certificate must then be shared with the Chinese group company, so that it can submit the certificate to the Chinese authorities (the Social Insurance Administration of the Ministry of Human Resources and Social Security). If this process is completed within six months of the commencement of the secondment, China will grant an exemption with retroactive effect to the commencement date of the secondment.

With regard to secondments already in place on September 1, 2017, an application for a CoC must be submitted, granted and registered within six months of September 1, 2017. Therefore, applications should be submitted promptly.

## Not for All Dutch Social Insurance

It is important to be aware that the CoC does not apply to all Dutch social insurance, but only to the continued accrual of Dutch state pension/surviving dependents' and unemployment entitlements. The Dutch basic health insurance is thus not covered, nor is the WIA insurance (*Wet Werk en inkomen naar arbeidsvermogen* (in English: "Work and Income according to Labor Capacity", i.e., incapacity benefit insurance)) and the child benefit. Obtaining international medical insurance with worldwide coverage is therefore important.

To cover the consequences of occupational disability, individuals can consider applying to the Employee Insurance Agency (in Dutch: "UWV") for a voluntary WIA insurance. Premiums for medical assistance and work accidents may still be payable in China (this differs per region).

For secondments from China to the Netherlands, the SSA only provides that an individual can continue with his/her Chinese basic old age insurance and unemployment insurance; a Dutch contribution and insurance obligation applies to other types of social insurance.

## Payroll Administration

The aforementioned limited coverage of the SSA means that extra attention must be paid to the processing of social insurance contributions for secondments from and to China in terms of payroll administration.

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## KPMG NOTE

Up to September 1, 2017, Netherlands-China cross-border workers will likely experience double social security charges given the absence of an "in force" social security agreement between the two countries. However, come September 1, this situation will change. Thus, employers may wish to time new assignments to begin after September 1.

## KPMG NOTE (cont'd)

As noted above, for existing Chinese employees in the Netherlands and Dutch employees in China, applications for Certificates of Coverage should be made promptly.

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## FOOTNOTE:

1 For the text of the Agreement and its status (in Dutch), see:  
<https://verdragenbank.overheid.nl/nl/Verdrag/Details/012991> .

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Participation will continue to be free, and survey takers' results will be available immediately upon completion.

It's quick and easy! Here's how you can get started now:

– Please [click here](#) to access the 2017 GAPP Survey website page on KPMG.com.

– At the 2017 GAPP Survey website page you will find a direct URL link to take the survey. Helpful information regarding the GAPP Survey's design and important instructions for taking the survey are also provided.

Please note that it is necessary to complete the survey in order to view results. If you encounter any problems accessing the site or registering, please contact us at: [us-taxgmssurvey@kpmg.com](mailto:us-taxgmssurvey@kpmg.com) .

## Contact us

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

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