

GMS Flash Alert

2018-120 | September 13, 2018



Czech Republic - Amendments to Japan-Czech Republic Totalization Agreement

As of 1 August 2018, the Totalization Agreement between Japan and the Czech Republic has been amended in order to reduce the administrative burden for Japanese employees assigned to the Czech Republic, but working based on a local employment contract.¹

WHY THIS MATTERS

According to the original Totalization Agreement, it was not possible to exclude Japanese expatriates from participation in the obligatory Czech social and health insurance scheme if they concluded a local employment contract with a Czech subsidiary of a Japanese company. In such a case, it was necessary to apply for an exemption with the Czech social security institutions.

Since this approach was regarded by the Japanese companies as an obstacle to expansion of their investments in and movement of Japanese employees into the Czech Republic, the Czech authorities therefore agreed with Japan on the revision of these administrative rules.²

The Amended Agreement: More Details

Based on the amended Totalization Agreement, Japanese employees assigned to the Czech Republic can remain in the Japanese social and health insurance scheme up to five years even if a local employment contract in the Czech Republic is concluded. However, it is necessary to be provided with a Certificate of Coverage issued by the Japanese authorities.

The Japanese authorities should specify how to proceed with the obligatory withholdings to be made from the compensation provided by the Czech entity and remitted to the Japanese scheme.

Based on the current interpretations, these terms should also be applicable in respect of the Japanese expatriates who act as statutory representatives in the Czech Republic based on an agreement on performance of duties of a statutory representative concluded with a Czech entity.

The same rules will also apply to Czech individuals assigned to Japan.

Effective Date

The above is effective as of 1 August 2018.

FOOTNOTES:

1 See the Totalization Agreement as updated (in Czech) at: <http://www.psp.cz/sqw/text/orig2.sqw?idd=121353> .

For a 17 May 2018 notification (in English) of the Exchange of Diplomatic Notes for the Entry into Force of the Protocol Amending the Agreement between Japan and the Czech Republic on Social Security from the Japanese Ministry of Foreign Affairs (in English), see: https://www.mofa.go.jp/press/release/press4e_002039.html .

2 For another article (in English) on this topic from the authors, see “Another obstacle to posting of workers by Japanese investors gone” (8 August 2018) at: <https://danovsky.cz/en/another-obstacle-to-posting-of-workers-by-japanese-investors-gone> .

* * * *

Contact us

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



Iva Krakorova
Tax Manager
Tel. + 421 222 123 837
ikrakorova@kpmg.cz

Radka Velebna
Tax Consultant
Tel. + 421 222 124 251
rvelebna@kpmg.cz

The information contained in this newsletter was submitted by the KPMG International member firm in the Czech Republic.

© 2018 KPMG Ceska republika, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.